1974 Annual Report

AR26







From GE's
core technologies,
new thrusts in
problem solving
by GE people







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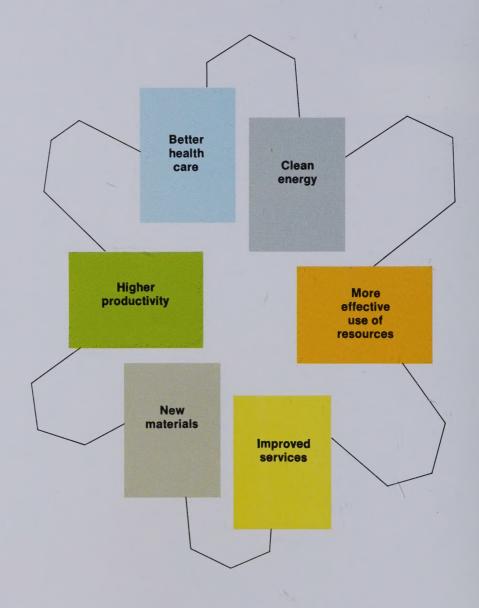
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The cover: Springing outward from General Electric's unifying core of interdependent technologies in 1974 were advances that, as shown at right, improved the quality of life in significant ways. The front cover emphasizes the General Electric people behind these new technological thrusts.

New address: In August, 1974, the Company officially transferred its Corporate headquarters from New York City to a new headquarters address:

General Electric Company Fairfield, Connecticut 06431

This new headquarters becomes the corporate center of an enterprise that, from the time of the Company's incorporation in 1892, has been primarily engaged in developing, manufacturing and marketing a wide variety of products used in the generation, transmission, distribution, control and utilization of electricity. Research and development in support of these primary businesses have produced discoveries that underlie new business growth in such related areas as chemicals, plastics, medical systems, aircraft engines and ship propulsion systems.



1974 Financial highlights

(Dollar amounts in millions; per-share amounts in dollars)

Summary of operating results	1974	1973
Sales of products and services	\$13,413	\$11,575
Operating costs		
Employee compensation, including benefits	5,223	4,710
Materials, supplies, services and all other operating costs	7,195	5,910
	12,418	10,620
Operating margin	995	955
Other income	186	184
Interest and other financial charges	(180)	(127)
Earnings before income taxes and minority interest	1,001	1,012
Provision for income taxes	(383)	(419)
Minority interest	(10)	(8)
Net earnings	\$ 608	\$ 585
Earnings per common share	\$3.34	\$3.21
Dividends declared per common share	\$1.60	\$1.50
Operating margin as a percentage of sales	7.4%	8.2%
Earned on share owners' equity	17.2%	18.1%

		Sales	Net ea	rnings	Earning percentag	
Operating results by major categories	1974	1973	1974	1973(a)	1974	1973(a)
Industrial Power Equipment	\$ 2,787	\$ 2,477	\$101	\$129	3.6%	5 .2 %
Consumer	3,214	3,097	86	148	2.7	4.8
Industrial Components and Systems	4,529	3,728	254	181	5.6	4.9
Aerospace	1,916	1,611	75	44	3.9	2.7
International	3,218	2,318	174	139	5.4	6.0
General Electric Credit Corporation	_	_	43	42		_
Corporate eliminations	(2,251)	(1,656)	(125)	(98)	_	_
Total Company	\$13,413	\$11,575	\$608	\$585	4.5	5.1

⁽a) Amounts for 1973 and prior years have been reclassified, consistent with refinements of corporate interest allocation procedures implemented in 1974. This reclassification's principal effect on previously reported earnings was to increase the Industrial Power Equipment and decrease the International categories.

Sales and net earnings by major category throughout this Report include intercategory transactions. To the extent that sales and earnings are recognized in more than one category, appropriate elimination is made at corporate level. Net earnings for each major category are after allocation of corporate items such as expenses of headquarters personnel, corporate research and development, interest and other financial charges and income as well as income taxes. Unless otherwise indicated by the context, the terms "General Electric" and "Company" are used on the basis of consolidation described on page 30.

"1974 results showed a 4% increase in earnings, 16% higher sales and a new high in the orders backlog."

"The 1975 outlook is for a slow first half, but our economists are forecasting improvements in the economy during the second half."



The Chairman comments:

On the strength of good business momentum in the first half of the year, General Electric's earnings showed a modest increase for the whole of 1974. Earnings of \$608 million, or \$3.34 per share, amounted to a 4% gain. This was our fifth consecutive year of increased earnings. A deteriorating economy and the continued inflationary spiral made it increasingly difficult to offset rapid cost increases as the year progressed.

Sales were \$13.4 billion — up 16% for the year.

New orders came in at record-breaking levels, raising the yearend backlog of unfilled orders to a new high of \$19.1 billion.

The orders backlog for industrial power equipment alone is \$13.7 billion, \$3.5 billion higher than at the end of 1973. Deferral of the construction of new power plants by electric utilities will reduce our shipments of power generation equipment in 1975 and subsequent years, but General Electric has experienced relatively few cancellations.

Plant and equipment expenditures to modernize and expand our productive capacity were \$672 million in 1974, up 12% from 1973, but will probably be 10% to 15% less in 1975, reflecting the slow-down of the economy.

General Electric's performance in 1974 was greatly influenced by the problems that faced all business — inflation, recession and energy economics. This will also be true in 1975, when the Company expects a slow first half, but our economists are forecasting improvements in the economy during the second half.

The problems of the electric utilities and the home-building industry in the United States have depressed earnings in industrial power equipment and home appliances. But these soft spots in 1974 were offset by strong sales and earnings in the industrial components and systems, aerospace, and international categories.

Looking to the longer term, no thoughtful person can deny a sense of disquiet about the deep changes that are taking place in the world economy. Persistent inflation and the swift transfer of wealth from the industrialized nations to the oil-producing nations are causing great political and economic instability.

Governments have promised more than their economic systems can produce. While demands have increased, the needs of producers have been ignored. Meanwhile, the world's growing population presses hard against its available resources of energy, food and materials.

Thus today there is an urgent need for problem-solving technology, fresh capital, organizational know-how and entrepreneurial commitment on a global scale. In this context, we see General Electric uniquely positioned both in terms of its long-range business prospects and as a force for human progress.

Consider first our central position in the solution of worldwide energy problems.

Conservation and higher efficiency are certainly part of the solution, and here General Electric equipment can make a major contribution.

But in order to sustain healthy, high-employment economies here and abroad, increased energy usage is inevitable. And this increased energy will be produced by converting abundant reserves of coal and uranium into electricity - General Electric's basic business — as the world reduces its dependence on oil and gas.

President Ford's call for an increased commitment to nuclear power between now and 1985 is just one powerful evidence that the United States is moving toward an electric economy. Many other nations, including Japan and industrialized Europe, have firmly committed their energy future to nuclear power. Thus, looking beyond the current difficulties of the electric utilities, we see an expanding worldwide opportunity for our power generation equipment, as well as appliances and industrial equipment to utilize electricity.

One of the major targets for conversion to electricity is home heating. More than half the homes built in the United States in 1974 had electric heating systems installed — up from only 14% in 1968.

Other major conversion opportunities include railway electrification and electricity for industrial uses, to supplant direct burning of gas and oil.

But these energy-oriented opportunities are only part of the picture.

Many of General Electric's products and services — as described in this Annual Report — are in industries and markets that have exceptional worldwide potential: not only in electric power, but also such fields as health care; land, sea, and air transportation; manmade materials; computer information services; financial services and many others.

We have a strategic planning system that allocates resources on a basis that favors businesses with high potential for earnings growth as well as the fulfillment of social needs, and leads to the divestment of less promising operations.

We have selected for special support a number of internally developed business ventures that have unusual long-term potential, and our established businesses keep coming up with more. At the same time, our new strategic review system enables us to keep the risks manageable.

And share owners are aware of the traditional strengths of the General Electric Company: sound accounting practices; a solid financial structure; a reputation for quality and service; a tradition of technological leadership; a worldwide range of operations; a strong outside Board; and a cadre of sophisticated managers at all levels of the organization.

These are the factors that should, we believe, give share owners confidence in the future of their Company.

The year 1975 will be a challenging one for all companies. But General Electric is prepared to manage itself through good times and bad, for sustained economic and social performance through the cycles.

Chairman of the Board and Chief Executive Officer February 14, 1975

Seguild A Jones

"Conversion to electricity generated from coal and uranium is needed to sustain healthy world economies."

For the Board, an active year

The ten regular meetings of the General Electric Board of Directors in 1974 tell only part of the story of the Directors' activities during the year.

Since 1972 the Board's structure has included five standing committees: Operations, Public Issues, Technology and Science, Management Development and Compensation, and Audit and Finance. These committees strengthen the functioning of the Board by allowing more attention to be focused on specific areas of the Board's responsibilities and by enabling the Board as a whole to concentrate more fully on the central matters of business opportunities, risks, resource allocation and planning. By monitoring the performance of management in five key areas, the Board committees, each chaired by an outside Director, also assure that General Electric will remain an institution that is responsive to social problems and needs.

Summaries for each of the five committees are included in this Annual Report, reflecting some 23 committee meetings during 1974. These meetings were supplemented by the deliberations of a Select Committee on Special Nominations, established to review potential candidates for Board membership. The Select Committee is composed of outside Directors who sit on boards that include women and members of minority groups.

In addition, as pictured here, GE Directors during 1974 participated in tours of two General Electric facilities. In April they journeved to the Wilmington, N.C., plant of the Nuclear Energy Division, and in October they visited the Lynn, Mass., facilities, reviewing activities of both the Aircraft Engine Group and Industrial and Marine Steam Turbine Operations.

Board membership in 1974 was increased to 20, with the election of Samuel R. Pierce, Jr. Members of the Board are listed at right in the order of their seniority on the Board, with the year they were first elected to the Board shown in parentheses.

The average age of the Directors of General Electric is 59 and their average length of service on the Board is 9 years.

Gilbert W. Humphrey, Chairman of the Board and Director, The Hanna Mining Company, Cleveland, Ohio. (1955)

Frederick L. Hovde, President Emeritus, Purdue University, Lafayette, Indiana. (1956)

John E. Lawrence, President.

James Lawrence & Co., Inc., cotton merchants, Boston, Massachusetts. (1957)

Walter B. Wriston. Chairman and Director. Citicorp, banking and financial services, New York City. (1962)

Dean A. McGee, Chairman of the Board and Director, Kerr-McGee Corporation, natural resources, Oklahoma City, Oklahoma, (1962)

Ralph Lazarus, Chairman of the Board and Director, Federated Department Stores, Inc., Cincinnati, Ohio. (1962)

Gilbert H. Scribner, Jr., President and Director, Scribner & Co., real estate and insurance, Chicago, Illinois. (1962)

Edmund W. Littlefield, Chairman of the Board and Director, Utah International Inc., mining and ocean shipping, San Francisco, California. (1964)

J. Paul Austin. Chairman of the Board and Director. The Coca-Cola Company, Atlanta, Georgia. (1964)

Thomas S. Gates, Director of and Advisor to Morgan Guaranty Trust Company of New York, New York City. (1964)

Jack S. Parker, Vice Chairman of the Board and Executive Officer, General Electric Company, Fairfield, Connecticut. (1968)

Herman L. Weiss, Vice Chairman of the Board and Executive Officer, General Electric Company, Fairfield, Connecticut. (1968)

Walter D. Dance. Vice Chairman of the Board and Executive Officer. General Electric Company, Fairfield, Connecticut. (1971)

Reginald H. Jones, Chairman of the Board and Chief Executive Officer, General Electric Company, Fairfield, Connecticut. (1971)

James G. Boswell II, President,

J. G. Boswell Company, farming and related businesses, Los Angeles, California. (1971)

Charles D. Dickey, Jr., Chairman, President and Director, Scott Paper Company, Philadelphia, Pennsylvania. (1972)

Henry L. Hillman, President and Director,

The Hillman Company, diversified operations and investments, Pittsburgh, Pennsylvania. (1972)

Silas S. Cathcart, Chairman and Director. Illinois Tool Works Inc., diversified products, Chicago, Illinois. (1972)

Henry H. Henley, Jr., President and Director, Cluett, Peabody & Co. Inc., manufacturing and retailing of apparel, New York City. (1972)

Samuel R. Pierce, Jr., Partner,

Battle, Fowler, Lidstone, Jaffin, Pierce and Kheel, law firm, New York City. (1974)



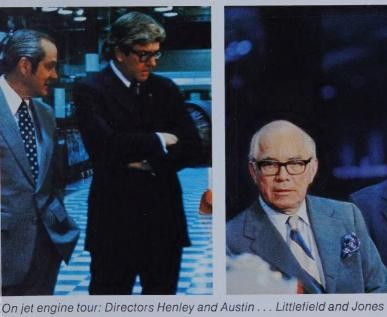
Directors Cathcart and Pierce



... Humphrey and Scribner ... Wriston



... McGee and Weiss.





... Hillman, Dickey and Lazarus.



Directors Gates and Lawrence . . . Dance



... Hovde



... Boswell



... Parker.



Review of 1974 Operations

Industrial power equipment, the first of five major categories of products and services reported in this review, was affected in 1974 by the cost-price squeeze on power generation and power delivery equipment. While sales for this category rose by 13% over last year's volume, earnings were 22% below the 1973 level.

The combination of energy conservation activities and the economic slowdown in 1974 resulted in a year without growth in electric utility load. This factor, together with the financial problems of the electric utility industry, set off extensive deferrals and cancellations of power equipment orders in the second half of 1974. General Electric experienced relatively few cancellations. However, deferrals have lengthened delivery schedules of the orders backlog.

The category reflected the industry's high expectations for the long term. New orders for the category as a whole were at record levels, resulting in a year-end backlog of \$13.7 billion, \$3.5 billion higher than at the end of 1973. Overall, Industrial Power Equipment accounted for 18% of 1974 sales and 14% of earnings.

Industrial Power Equipment

(In millions)

See note (a), page 3	1974	1973	1972	1971	1970
Sales	\$2,787	\$2,477	\$2,249	\$2,131	\$1,880
Net earnings	101	129	130	130	97

Representative products and services: gas turbines, installation and service engineering, lighting systems, marine turbines and gears, mechanical drive turbines, meters, nuclear power reactors and fuel, power circuit breakers, steam turbine-generators, switchgear, transformers and other power apparatus for industry.

The effects of the economic downturn and utility industry problems impacted different businesses in varying ways. Gas turbines, with a short delivery cycle, experienced a sharp decline in earnings that is extending into 1975. Gas turbine demand for industrial and international applications, however, has remained strong. Success in international markets reflects General Electric's technological leadership in heavy-duty gas turbines.

The steam turbine-generator business, which operates on a substantially longer time cycle, had an excellent year in 1974 from the standpoint of shipments and earnings as well as new orders. While deferrals will have a near-term impact, the backlog for deliveries in the latter 70's and early 80's is at an all-time high. A major reason for the high level of orders: the superior efficiency and reliability demonstrated by GE turbine-generators.

General Electric and manufacturing associates abroad maintained world leadership in sales volume for steam turbine ship propulsion systems. Orders for propulsion units for over 100 vessels contributed to a record backlog for this type of equipment. Rapid growth was also achieved in mechanical drive turbines. Used to power many industrial processes and electrical systems for ships, these turbines have found a substantial new market in liquefied natural gas plants.

The antitrust suit filed in 1971 by American Electric Power Company, challenging turbine-generator pricing policies adopted in 1963, continues in its pretrial phase and a final decision is unlikely until the late 1970's. Based on the existing state of the law, we are confident of our ability to prevail, but the outcome

Featured in this Annual Report: significant 1974 technological advances in which General Electric played a leading role.



GE gas turbines power the quest for oil

From beneath Europe's North Sea it is expected that 12 to 14 billion barrels of oil — one of the largest reserves outside the Middle East — can be claimed to help meet world energy needs. But this reward must be won in the face of a hostile environment: waves up to 80 feet in height, storm winds gusting to 135 miles per hour, and humid, saline air that readily would corrode equipment without protection and continued maintenance.

For its remote Ekofisk-area platforms, the Phillips Petroleum Company's Norway Group chose 42 General Electric heavy-duty gas turbines. Equipped with de-misters to remove salt from the air they ingest, and built to withstand corrosion and icing conditions, the GE heavy-duty gas turbines supply dependable power and require little maintenance for the Phillips Group's North Sea processing, pumping, compressing and storage operations.

Production of the units combined the skills of GE gas turbine operations in Schenectady, N.Y., and those of manufacturing associates abroad.

New scale for nuclear energy

During 1974 the world's first nuclear reactor to provide a million kilowatts of electricity entered commercial service — a boiling water reactor built by General Electric. This milestone was achieved March 21 when Browns Ferry 1 of the Tennessee Valley Authority became the first nuclear unit to produce one million kilowatts of electricity. On August 1, this 1098-megawatt unit entered commercial service with a full-power license. A duplicate reactor, Browns Ferry 2, also started up in 1974.

Two other king-size GE-equipped nuclear units to come on line

in 1974 are pictured below: the twin 1065-megawatt boiling water reactors at Peach Bottom Nuclear Power Station owned by four participating utilities including Philadelphia Electric Company, which operates the plant.

One of the important public benefits of efficient large-scale nuclear plants has been underscored by Philadelphia Electric. The utility estimates that nuclear fuel costs at Peach Bottom were below the cost of coal and oil, resulting in lower fuel adjustment charges to customers after the General Electric-equipped plant went into service.



Review of Operations (continued)

is, of course, subject to the inevitable uncertainties of litigation. General Electric has granted an extension of the statute of limitations to other utilities with respect to their purchases of turbine-generators.

The Company's nuclear business increased its sales and earnings in 1974. Orders for six BWR/6 nuclear reactor systems received during the year brought to 102 the total for GE-equipped nuclear plants completed or on order. Uncertainties about future load growth and financing difficulties have resulted in deferrals of a number of projects. Because of the long-cycle nature of the nuclear business, the deferrals primarily affect the latter 70's and early 80's.

In 1974 it was concluded that the Morris, Illinois, nuclear fuel reprocessing plant was inoperable, and GE terminated contracts with utilities for reprocessing services. A study of the Company's future role in nuclear fuel reprocessing is underway.

The Company's customers have required that nuclear fuel be sold with warranties related to fuel life span, even though the experience base for predicting the life of nuclear fuel under power plant operating conditions is still relatively small. As of December 31, 1974, GE had warranty commitments on nuclear fuel in service having a sales value of \$600 million, as well as commitments on fuel in the backlog valued at \$2.3 billion, covering deliveries through the 1980's. The fulfillment of some fuel orders will require long-range purchases of uranium, enrichment and reprocessing services at cost levels that are not now determinable.

GE operations supplying transformers, circuit breakers, switchgear and other power delivery equipment are working to overcome problems stemming from rapidly increasing costs of materials and manufacturing without commensurate increases in selling prices. These factors led in 1974 to declines in earnings despite higher sales. Cost and productivity improvement programs were undertaken to improve these operations' earnings prospects.

The Company is accelerating its development of new HVDC (High Voltage DC) transmission systems for more efficient transmission of large blocks of power over long distances, and is participating in a research project to use HVDC as a means to improve delivery of power into high-density metropolitan areas.

Widespread interest in lighting, such as new Lucalox® lighting systems by General Electric that deliver more light while reducing the amount of energy required, is giving fresh momentum to the Company's business in lighting systems. The business showed further gains in both sales and earnings for 1974.

Despite the utility industry's present problems, future prospects for GE businesses serving these markets are considered good, as indicated by the record orders backlog. There is increasing recognition that U.S. energy policy must emphasize expansion of nuclear power and coal production. This should increase the percentage of total U.S. energy requirements that is supplied by electricity, building the demand for power equipment. In particular, the clear economic and environmental advantages that nuclear power enjoys over alternative energy sources for electric power generation are expected to lead the U.S. to the conclusion already reached in other industrialized countries: that nuclear power must be relied on as a principal energy source for electric power generation.



Power transmission: Edison's technology resurgent

Thomas A. Edison was a firm believer in direct-current transmission of electricity. It was only after the DC technology of the time proved to be inadequate that Edison gave in reluctantly to alternating-current power delivery. Today, his preferred DC system is enjoying a renaissance, in part because of GE leadership in introducing new solid-state technology in HVDC (High Voltage DC) transmission.

In special applications, an HVDC line offers distinct advantages: it reduces by 75% the number of cables required to transmit the same amount of AC power; it reduces widths of rights-of-way by 50 to 60%; and it requires fewer and smaller transmission towers.

At its Burlington, Iowa plant GE is, as shown above, assembling switching equipment for the nation's first HVDC solid-state transmission line, which is scheduled in 1976 to begin delivering 500,000 kilowatts of electricity produced by fuel from North Dakota's vast lignite fields to Duluth, 456 miles away. Other GE HVDC projects include a 32-mile underwater line to carry power to Vancouver Island, British Columbia, and the nation's first solid-state east-west intersystems tie, to be built near Scottsbluff, Nebraska.

Lighting that conserves energy

Ecology-conscious planners of Woodlands, a planned community north of Houston, Texas that opened in 1974, have chosen GE Lucalox high-pressure-sodium lamps to light entrance ways, roadways and parking areas. The reason: these lamps deliver more light from their inputs of energy — they are twice as efficient as mercury lighting and five times as efficient as incandescents. Woodlands also chose to house its Lucalox lamps in GE's new Decashield[®] luminaires, designed to combine maximum output and contemporary appearance.

Woodlands becomes one of thousands of communities throughout the world to conserve energy while meeting lighting needs. In addition to making streets and neighborhoods safer, Lucalox lamps floodlight buildings and monuments, illuminate recreation areas for nighttime enjoyment and, applied indoors, enhance productivity, safety and morale in industrial facilities.





Electric heat tips the balance

In terms of home heating, 1974 was a landmark year: over 50% of the homes built during the year had electric heating systems installed. The percentage climbed from 14% in 1968 and 45% in 1973.

The trend to electric heat has been accelerated by shortages and uncertainties in the supply of pumpable fuels. But other factors are also at work. One of these is the availability of a highly reliable heat pump — GE's Weathertron® reversible central air conditioner that pumps heat out of a house in summer, pumps it in from the outside air in winter. Higher first costs for the Weathertron are increasingly being offset by lower operating costs. The Weathertron is efficient, delivering from 11/2 to 21/2 BTU's of heat for every BTU of electrical energy it consumes, depending on outside temperatures.

In the "atrium" home shown here, transparent panels over a central atrium allow the "greenhouse" effect to be used in supplementing heat from the home's GE Weathertron heat pumps.

Consumer goods: a pause in profitable growth

Sales of consumer goods and services in 1974 were up slightly from 1973 while earnings dropped by 42% from the previous year. Sales were hit by the U.S. economic slowdown, by its impact on consumer confidence and by the collapse of the housing market. Costs of raw materials went up much faster than selling prices, putting severe pressures on margins, especially for major appliances and other consumer goods such as television receivers. Vigorous actions to reduce expense levels and achieve improvement in selling prices have been taken.

The category's contribution to total Company results amounted to 20% of sales and 12% of earnings.

Consumer				(1)	n millions)
See note (a), page 3	1974	1973	1972	1971	1970
Sales	\$3,214	\$3,097	\$2,782	\$2,383	\$1,969
Net earnings	86	148	144	105	73

Representative products and services: air conditioners, appliance service, broadcasting, clotheswashers and dryers, dishwashers, heat pumps, lamps, personal care and portable appliances, radio and television receivers, ranges, refrigerators, stereo equipment and tape recorders.

Unit shipments of GE and Hotpoint major appliances decreased somewhat less than the 10% decline recorded for total industry shipments of major appliances in 1974. To limit soaring costs of carrying inventories, production was cut back, requiring some layoffs and temporary furloughs. Lower inventories and better price levels prepare GE appliance operations for more adequate earnings margins when markets improve. Meanwhile, with housing starts at low levels, the market for major appliances has benefited from increased interest in home remodeling.

Major appliance and TV service provided by GE's "Customer Care-Service Everywhere" network continued to grow in importance and volume. Another network — a nationwide organization of Consumer Coordinators — was expanded by GE's Consumers Institute to meet requests for product and buying information and to provide feedback on consumers' interests and concerns.

GE's household lamp business growth slowed as consumers reduced their use of lighting in the wake of the energy crisis. Lighting, however, offers opportunities to conserve energy through replacement with more efficient lamps. Increased sales of these energy-saving lamps and growth in photoflash products have helped to offset the decrease in household lamp volume.

The outstanding reliability of GE's new line of TV receivers helped the Company's home entertainment operations improve their market position in 1974. General Electric remains the leader in U.S. radio sales.

General Electric housewares showed excellent sales gains during the year, led by several fast-growing lines — notably Toast-R-Oven® toasters, hot lather dispensers and hand-held hair dryers.

General Electric Credit Corporation				(In millions)	
	1974	1973	1972	1971	1970
Net earnings	\$43	\$42	\$41	\$31	\$20

Results from this wholly-owned non-consolidated affiliate, offering financial services to a broad range of customers, reflect a significant increase in business volume and improved price levels largely offset by a substantial increase in interest costs.

(continued on page 14)



'Energy saving' home features GE products

Above is the new General Electric kitchen in the "energy saving house" planned and constructed for the National Association of Home Builders' 1975 meeting in Dallas.

Energy conservation is planned into the entire house. Walls are well insulated and double-insulated glass is used for windows throughout. Energy-efficient fluorescent lighting is used wherever possible. Even the orientation of the house on its site, placement of windows and plantings of trees take into consideration prevailing light and wind direction to save heating and cooling energy costs. And the home makes full use of General Electric's energy-saving appliances and housewares:

• The kitchen's refrigerator-freezer includes a Power Saver switch that can reduce power consumption. The Custom Dispenser for crushed and cubed ice makes unnecessary the



frequent and energy-wasting opening of the freezer door.

- The food waste disposer and trash compactor operate on about 9 KWH of electricity for an entire year.
- The GE Potscrubber® dishwasher has a Power Saver cycle for drying without heat, substantially reducing the energy used in its operation.
- The two P-7® self-cleaning ovens are equipped with an improved insulation system. Energy saved when baking and roasting can offset the energy used for self cleaning.
- The built-in microwave oven can reduce cooking time to a few minutes for many kinds and portions of foods, making quick meals easy to prepare while also saving energy.
- The GE Toast-R-Oven toaster provides a low-energy alternative for heating foods that are compatible with its size.

Review of Operations (continued)

Industrial: largest GE sector also strongest

Sales and earnings by the Industrial Components and Systems category increased 21% and 40% respectively during 1974, contributing 29% of total GE sales and 34% of earnings. This exceptional performance for the Company's largest category, resulting in gains in sales and earnings for each quarter of 1974 compared with 1973, drew strength from several favorable factors:

- Sales in this category are related to trends in industrial capital spending — the brightest sector of the U.S. economy in 1974.
- Businesses supplying components to a wide range of manufacturers benefited from technological leadership to deepen their penetration in major markets.
- The category also includes General Electric operations oriented to fast-growing service industries apparatus service shops, medical systems, transportation equipment, communications products and computer information services.

Although industry is expected to reduce total capital expenditures in 1975, increases are forecast in metal, paper, chemical and other industries served by GE. Thus this category is expected to remain an area of strength for General Electric.

Industrial Compone	ents and Sy	stems		(1)	n millions)
See note (a), page 3	1974	1973	1972	1971	1970
Sales	\$4,529	\$3,728	\$3,158	\$2,865	\$2,848
Net earnings	254	181	156	139	96
Representative produ	cts and serv	ices: balla	sts, batterie	es, capacito	rs,
communication system	ns, compute	r time-shar	ing, contro	ls, cutting t	ools,
drive systems, electric	c motors, ele	ectronic tub	es, equipm	ent service	,
industrial heating, ins	ulating mate	rials, medi	cal systems	, plastics,	
silicones, transportati	on systems,	wire and ca	ble and wir	ing devices	i.

General Electric serves world markets with systems that power and automate industrial production. With many customers needing to add manufacturing capacity and improve productivity in 1974, the Company realized substantial growth in sales of such capital equipment as large electric motors, industrial drive systems, industrial controls and cutting-tool products.

The Company's Logitrol® programmable controller continued in 1974 to supply industry with a highly versatile general purpose control for complex machinery. A new numerical control called the Mark Century® 1050, using microcomputer technology, was introduced for applications such as large machining centers.

Other 1974 innovations for industry included new circuit breakers that increase mine safety by protecting cables in underground coal mines, a safer industrial cord grip that is the first of a new General Electric line of industrial wiring devices, a new control system that improves the quality of molded plastic parts, and a "second generation" of solid-state controls for the fast-growing market in electrified industrial trucks and other electric vehicles. A new entry into home markets is a ground fault detector providing protection against electrical shocks in residential applications.

In 1974 the Company sold the GE-PAC process computer business. Sale of this operation relating to "continuous process" industries has allowed General Electric to concentrate more of its resources on automation systems for industrial and utility customers.

General Electric's business in operating apparatus service shops

Renewed interest in all-electric railroading

More than 50% of IJS, will traffic in concentrated on 10% of the

More than 50% of U.S. rail traffic is concentrated on 10% of the track mileage. For these high-density traffic corridors, all-electric railroading is receiving renewed interest because of the operating economies, as well as reductions in oil use, that could be realized.

The new interest has become concrete: GE in 1974 was at work on 26 high-speed electric locomotives which Amtrak began putting into service in the Washington-New Haven corridor early in 1975. Designed specifically for passenger service, GE's E60CP units are capable of speeds up to 120 mph. Shown: new unit on trial run.

Overseas, a similar interest has produced an order from Taiwan for 74 electrics. Other railroads, both domestic and overseas, are giving electrification intensive study. General Electric is positioned to serve this renewed interest with new technology, including powerful 50,000-volt locomotives — twice the voltage of electrics previously available.

Inflation fighters: GE developments to boost productivity

In the battle to bring inflation under control, General Electric technology provides one powerful weapon: innovations that increase industry's productivity and cost-efficiency in the manufacture of goods.

Pictured here is a 1974 example: GE's Directo-Matic® Logic Control being used in a modern steel plant. Designed specifically for large automation systems, the control utilizes an electronic memory to store an intricate program of instructions which can be easily expanded and changed to guide manufacturing or process equipment through sophisticated production sequences.

In another 1974 advance, GE engineers introduced a new process control for the plastic molding industry. Applying solidstate technology, GE's PM1000 plastic molding control measures and controls the viscosity and temperature of the compound, improving the quality of the finished products as well as the productivity of the machine.

For customers as diverse as coal miners and oil-well drillers, steel producers and auto manufacturers, GE provides leadership in evolving technologies that bring higher output and lower costs — true foes of inflation.



expanded to a worldwide total of 137 shops. These shops increased sales not only of existing services but also for new types of repair and maintenance expertise — portable infrared systems, for example, that detect incipient failures in equipment. In addition, the shops are expanding their service of other manufacturers' industrial products.

A wide spectrum of high-performance materials and components is another GE offering to industry. All of these businesses made good gains in results for 1974:

- GE's plastics business, specializing in the "engineering plastics" that are growing faster than plastics in general, continued its strong growth rate, with expansion in the U.S. and Europe.
- Silicone sales continued to expand from new applications such as those that enable the automotive industry to meet requirements for greater safety, reliability and pollution control.
- For improved productivity in cutting and grinding metals, customers were offered Carboloy® advanced tooling systems, Man-Made® industrial diamonds and Borazon® CBN synthetic abrasives.
- GE's electronic component operations improved sales and earnings with special strength shown by capacitors and battery products. High performance and reliability of GE nickel-cadmium rechargeable batteries enabled this business to grow in markets for cordless tools, electronic calculators and similar products.

By broadening the span of customers and applications it serves, GE's large-volume operations supplying hermetic, specialty and general purpose motors to manufacturers offset much of the decline in industry sales of appliance motors and components.

GE businesses oriented to service industries had a good year.

Growth of GE's communications systems business was aided by production of mobile radio products in a major new facility at Florence, S.C. TermiNet® electronic teleprinters are a strong growth line, providing computer users with high-speed, high-reliability terminal equipment.

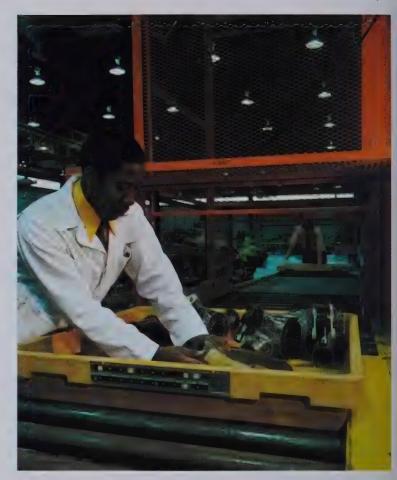
The Company's Mark III® information services network produced higher earnings despite substantial investments to support its four-continent expansion. An additional computer "supercenter" for the network was completed near Washington, D.C.

The medical systems business managed a modest increase in profits while absorbing start-up costs for its new Waukesha, Wisc., facilities. The outlook for continued improvement in this business in 1975 is good.

GE's transportation systems business's broad range of systems and products — including diesel-electric and all-electric locomotives, drilling drives, propulsion motors and controls for off-highway vehicles, and transit cars — combined to provide a profitable business in 1974, even though inflationary cost increases adversely affected the mass-transit equipment and car business. The year-end backlog of orders for GE transportation systems was substantially higher than at the end of 1973.

Assets of the outdoor power equipment operations producing the Elec-Trak electric tractor were sold during 1974 to a company with a broad line of garden tractors and equipment.

The General Electric Supply Company, distributing a wide range of GE and other products to electrical contractors and industrial and utility customers, significantly increased its 1974 sales.



Foamed plastics: newest of GE's 'Miracle Materials'

Out of its search for better materials to apply in its own products, General Electric years ago began supplying external customers with the results of its technological advances: silicone chemicals that retain their properties over temperature extremes that render other materials useless; high-productivity tooling systems formed from Carboloy tungsten carbide — "the hardest metal made by man"; plastics strong enough to replace metals; plastic sheet clear as glass but tough as metal; and man-made Borazon CBN cutting tools and grinding abrasives that outperform natural materials.

Newest of these "miracle materials" from GE are Engineering Structural Foam resins — foamed plastics that give industry an economical, energy-saving new alternative to metal in the design and production of large parts, components and assemblies.

GE structural foam has a cellular core, formed by dispersing inert gas within the molten plastic, and a hard, tough outer skin. It frees plastic molders from present size limitations — as indicated by the parts tray shown above, made from Lexan® resin, which is used by the U.S. Navy to carry loads of aircraft components. This metal replacement application joins many others in the transportation, appliance and information processing industries that use General Electric Engineering Structural Foam resins.

Early detection: cancer's biggest enemy

More than 200,000 Americans with cancer had their lives spared in 1974 — about one of every three patients. Doctors estimate that early diagnosis and prompt treatment could win reprieves for another 100,000, increasing the number saved to one of every two patients. In the fight against this major killer, General Electric has enlisted these new products:

- MMX II® a mobile mammographic x-ray system (shown) designed solely for breast examinations. Able to visualize soft tissues on x-ray film, it quickly pinpoints abnormalities.
- "Spectrotherm" 2000 thermographic system, also for detecting breast cancer. An infrared scanning system, it takes advantage of the fact that skin heat at a tumor site is higher than that of normal surrounding tissue and thus locates suspect areas.
- Maxiscan[®] GE's whole body scanner for detecting possible tumor sites. Following injection of short-life radioactive substances, Maxiscan can "count" their higher-than-normal concentration in any area.





Linking problem-solvers on four continents

A few years ago the idea of computer-time-sharing was a technological breakthrough: the individual problem solver was freed of having to own his own computer — by using a small terminal linked to telephone lines he could share with hundreds of other users the operation of a large central computer.

Today, by means of communications satellites and undersea cable as well as telephone lines, General Electric has expanded this concept to cover four continents across 18 time zones. GE's Mark III information services network comprises the world's largest and most advanced remote computer service. Using Mark III, more than 5,000 customers in Europe, Asia and Australia as well as North America can tie into GE's computer "Supercenters," paying for only the computing power they actually utilize.

Mark III offers a special benefit to international businesses: it offers them a new approach to managing worldwide operations. Example shown above: the London branch of First Wisconsin National Bank of Milwaukee. The branch uses Mark III for its automated accounting system and for calculating and reporting its detailed financial position daily to the Milwaukee main office. Review of Operations (continued)

Aerospace: commercial jet engines pace 1974 gains

General Electric operations supplying commercial and military aircraft engines and space equipment had an excellent year, increasing their sales by 19% in 1974 and achieving earnings 70% above those for 1973. The aerospace category contributed 12% of total GE sales and 10% of earnings for the year. The backlog of military and space business continues at high levels.

With development costs written off as incurred, General Electric's CF6 aircraft engines gave a boost to the year's results.

General Electric's space operations in 1974 produced results that were well above 1973 levels, as the downturn in this sector appears to have bottomed out.

Aerospace				(1)	n millions)
See note (a), page 3	1974	1973	1972	1971	1970
Sales	\$1,916	\$1,611	\$1,514	\$1,623	\$1,666
Net earnings	75	44	27	36	24

Representative products and services: aerospace instruments, aircraft jet engines, armament systems, flight controls, industrial and marine power plants, missile re-entry systems, product service, radar, sonar and space flight systems.

Achieving savings in fuel consumption rates in comparison with other wide-bodied transport engines. General Electric's CF6 engines are proving to be popular with airlines. By the end of 1974, 36 airlines had selected domestic and intercontinental DC-10s, A 300 and 747 aircraft powered by CF6 engines. A military version of the CF6, the F103, was selected for the U.S. Government's Advanced Airborne Command Post and for a prototype of an AMST (Advanced Medium STOL Transport) aircraft.

Already in its test program is the CFM56 engine. This new engine, being developed jointly with the French engine manufacturer SNECMA, is designed for what is expected to be the next major market for commercial aircraft engines. The CFM56 extends to smaller aircraft the fuel-saving performance of the CF6.

In the business jet aircraft category, GE engine shipments matched the record 1973 level.

Shipments of General Electric military jet engines increased in 1974. New orders are anticipated for the T700 small helicopter engine which has been selected by four firms currently competing for Army contracts.

LM2500 powerplants, derived from aircraft engines, are being used for a variety of military and merchant marine vessels and in gas pipeline pumping applications.

Total aircraft engine shipments rose in 1974 by more than 500 engines compared to 1973. Even though commercial engine deliveries are expected to decline in 1975, total engine shipments are anticipated to meet the 1974 level. Operating economies were introduced in 1974 to sustain earnings performance.

The bulk of the Company's other efforts in this category continues to be devoted to U.S. defense missions, including airborne and land-based radar, sonar, flight controls and aircraft instrumentation, and fire control, guidance and re-entry systems for missiles.

General Electric's space operations are cooperating with Government agencies in seeking to transfer technology developed for space into applications of benefit to the civilian economy. Among more than 1,000 technical development projects and studies being



Satellites: tools to improve life on earth

Daily life on earth is being subtly transformed by satellites that improve weather forecasting, relay phone calls and newscasts, enable computers to talk to each other across oceans, and guide men toward natural resources in the earth and beneath the sea.

Shown being readied at GE's Valley Forge space facilities is one of the most exciting of these satellites — a second ERTS (Earth Resources Technology Satellite) launched January 22, 1975, to join ERTS-1, which began orbiting the earth on July 23, 1972. NASA has recently changed the name "ERTS" to "LANDSAT".

A land area more than four times that of the U.S. is surveyed each week by ERTS-1's multi-spectral scanner. Over 100,000 images, relayed back to earth, have pinpointed pollution, detected the spread of crop diseases, helped cartographers chart more accurate maps, directed geologists in exploring for new oil fields and aided land-use planners.

In another significant satellite project, GE is developing an experimental broadcast satellite for the Japanese government. It is planned as part of a system to provide TV communications across the more than 3,000 islands that make up Japan.

New GE-powered planes for commercial service

General Electric's CF6 series of engines became, in 1974, the first of the high-bypass power plants to be selected for two-engine, three-engine and four-engine wide-bodied commercial airliners.

The two-engine plane is the A 300 European Airbus, shown below. It went into commercial service during the year for Air France, Air Siam and Air Algerie. Built by Airbus Industrie, a European consortium, the plane has proved to be so quiet in operation that the noise-monitoring equipment at the London airport "habitually fails to detect the passage of the A 300."

The three-engine plane is the highly successful McDonnell Douglas DC-10 trijet. At year-end, CF6-powered DC-10s had been chosen by 33 airlines, and more than 145 aircraft were in service. A factor in the plane's favorable acceptance by airlines has been the high thrust and low fuel consumption of its CF6 engines.

The four-engine plane is the Boeing 747. In 1974, KLM Royal Dutch Airlines became the first carrier to select this new model of the 747, powered by CF6-50E engines, for use as combination passenger/cargo airliners. GE engines also power the 747 version developed by the U.S. Government as an Airborne Command Post, which serves as a primary command and communications system in case of a national emergency.





GE gas turbines stir world interest

The sole source of electric power for the entire country of Brunei, in northern Borneo, is its installation of General Electric gas turbines such as the power generator shown above.

Brunei's example is a dramatic expression of an idea that extends worldwide: leadership in gas turbine technology belongs squarely to General Electric.

Orders received in 1974 confirm this leadership. Egypt ordered four General Electric units to power the locks of the Suez Canal and the cities along it. Sumatra ordered 12 GE gas turbines, with options for nine more. And France ordered the first large new 95-megawatt gas turbine jointly designed and produced specifically for European markets by General Electric and the French firm Alsthom.

Review of Operations (continued)

conducted under contracts are programs to apply space technology to housing, earth resources, waste management, air pollution control and monitoring, health care, aircraft safety, satellite communications, weather forecasting and contributions to the solution of energy problems.

International: another record-breaking year

General Electric's international operations in 1974 moved to their seventh consecutive year of record results. Operations of international affiliates, and exports from the U.S., recorded a sales increase of 39% and an earnings increase of 25%.

The category's strong contribution to total Company results amounted to 21% of sales and 24% of earnings.

International				(1)	n millions)
See note (a), page 3	1974	1973	1972	1971	1970
Sales	\$3,218	\$2,318	\$1,830	\$1,584	\$1,393
Net earnings	174	139	98	81	63

This category includes exports from the U.S. to customers worldwide and the operations of diversified affiliates in such countries as Canada, Italy, Brazil, Spain, Mexico and Australia. Operations of non-diversified foreign affiliates are included in their appropriate categories.

Although 1974 was a poor year for many of the world's economies, demand for General Electric products from the U.S. remained strong. Export sales rose to a new high. For the second year in a row, orders for GE exports from the U.S. set a new record, exceeding \$1.5 billion. During the past five years, General Electric contributed over \$2.5 billion to the U.S. balance of payments by exporting over four times as much as it imported in materials and products for sale in the U.S.

Major increases in orders for power generation equipment from Western Europe and Latin America included orders for nuclear steam supply systems from Italy and Spain, two STAG® combined-cycle power systems from Puerto Rico and steam power plants from Brazil and Chile. Export orders were also strong for General Electric locomotives and products to serve the petrochemical industry and other mineral processing industries.

Operations of international affiliates were led by Canadian General Electric Company Limited, largest and most broadly based of GE's international affiliates, which improved its sales and earnings for the fourth year in a row. These strengths were reflected in the results of all of CGE's operating divisions.

In Europe, General Electric positioned itself to serve the world's fastest-growing geographic markets. Company activities were consolidated in a new Brussels headquarters organization and new offices were set up in Cairo and Vienna to aid further development of Mid-East and Eastern European markets. Record export orders included the first large order from the USSR, for 65 gas turbines and related equipment for gas pipeline pumping.

General Electric's Latin American affiliates registered substantial sales and earnings increases — surpassing 1973's record levels. Significant earnings increases came from Venezuela, Mexico and Colombia.

In the Far East, GE's affiliates showed strong sales gains, led by the Australian appliance operations. GE's two consumer companies further established themselves as leaders in Australian distribution.



Technologies to strengthen Canada's economy

Among the technologies advanced by General Electric's international operations is the "Papriformer," a compact cost-cutting paper maker designed and manufactured by the Dominion Engineering Works of Canadian General Electric.

Ten of these big paper machines were installed or on order at the end of 1974. In addition to strengthening Canada's paper industry, the development is aiding that country's international trade balance, since four of the units are for export. Shown: Papriformer installed in 1974 at a U.S. paper plant.

GE's Canadian affiliate is also supplying hydroelectric generators and hydraulic turbines to help the Manitoba Hydro Commission tap new water power resources and is developing for British Columbia an HVDC (High Voltage DC) line to carry underwater the electric power needed by Vancouver Island.

Transportation progress in Brazil

A top priority among developing nations is that of building their transportation systems to deliver industrial resources to production centers and finished products to shipping ports. In Brazil alone, the current five-year plan includes a \$4 billion investment to build and expand the country's railroad system.

A single 1974 order from Brazil calls for delivery of 195 locomotives from General Electric. These units will be produced at General Electric do Brasil, with manufacturing and technical contributions from GE's Transportation Systems business in the U.S.

A 33% expansion of the Brazilian affiliate's locomotive assembly capacity is part of a major expansion of its heavy apparatus facility at Campinas. This expansion typifies investments by which General Electric is positioning itself to participate in fast-growing Latin American markets.





Service: a growing worldwide business

Operating industrial apparatus service shops is proving to be a worldwide growth opportunity for General Electric — as a business in itself and as an aid in building increased exports of GE's high technology industrial equipment.

Adding to 109 U.S. service shops at the end of 1974 were 28 shops in 11 countries abroad. Shown above: work in a new addition to the GE network --- the Watt & Akkermans service shop in Singapore. A joint venture with the Straits Steamship Co., Ltd., it combines local expertise and good will with GE's technical capabilities to offer expert mechanical, electrical and gas turbine engineering service to industries in the region.

Operations Committee

A number of the business operations discussed in this Annual Report's Review of Operations received the concentrated attention of the Operations Committee during 1974. Specifically, in line with our objective of devoting special attention to selected businesses representing particular challenges and opportunities, we conducted reviews of the power generation sector, coal gasification technologies, mass transit operations and the planning for the General Electric Credit Corporation.

In February 1974 we held a joint meeting with the Audit and Finance Committee at which the Company's Annual Report and Proxy Statement were reviewed. In addition, the committee joined in discussions of corporate plans for expansion programs in specific domestic and overseas operations.

In each instance the committee's concern was not with management's day-today conduct of the business. Rather, we sought to bring to bear our members' diverse experience and perspective in ways that could benefit these important business operations, and thus serve the interests of share owners.

J. Paul Austin, Chairman Walter D. Dance, Vice Chairman James G. Boswell II Charles D. Dickey, Jr. Henry L. Hillman Reginald H. Jones John E. Lawrence Raiph Lazarus Jack S. Parker Herman L. Weiss

R&D '74: Emphasis on energy solutions

GE's research and development activities in 1974 ranged widely over many fields, from new ways to grow agricultural produce under artificial light to mini-computers that help identify heart defects, from "super cold" electrical ship propulsion systems to a tiny electronic sensor that alerts blind people when a cup is nearly filled. A major share of the year's R&D effort, however, was devoted to energy — its generation, distribution and optimum utilization.

In a program aimed at both increasing fuel supplies and getting more usable energy from available fuels, work went ahead in five categories of energy research: fuel conversion technologies, advanced electric power generation, energy transport and storage. more efficient energy use and new primary sources of energy.

Fuel conversion work concentrated on "cleaner" energy sources - research in coal gasification and in removing sulfur-bearing wastes from coal.

Advanced power generation projects involved the use of extremes of temperature, both hot and cold. New materials, one of them pictured, may enable gas turbines to operate at ultra-high temperatures, thus increasing their efficiency in converting heat to electricity. Work was also performed on high-efficiency "superconducting" generators, which exploit the absence of electrical resistance in super-conductors at temperatures approaching absolute zero.

Cryogenic, or "super cold," technology is also applied to the improved delivery of electricity. Cryogenic cables could transport great amounts of power into highly-populated areas via relatively small underground cable systems.

Research continues in heat pump technology to make it an even more energy-conserving way of heating and cooling homes and other buildings.

Other R&D projects, seeking greater useful energy output per unit of fuel input, are directed toward improvement of motors and other components, broader use of solid-state electronics, more efficient lighting and batteries with greater storage capacity.

General Electric's work in primary energy sources included a number of projects whose effective applications are probably farther in the future. These included, in addition to the example of magnetohydrodynamics shown here, completion in 1974 of a National Science Foundation contract to demonstrate solar heating in a Boston area school, construction of turbine-generators to convert the earth's geothermal heat to electricity and a contract with NASA on the design of a wind generator.

The Company is also co-sponsoring a University of Rochester project to use a high-power laser system in efforts to produce controlled thermonuclear fusion, and thus possibly harness for man's use the sun's own source of energy.

The Company's R&D activities are carried on in more than 100 laboratories associated with product operations, as well as in GE's Research and Development Center in Schenectady, N.Y.

Expenditures on R&D by General Electric during 1974 exceeded \$890 million. This total includes approximately \$352 million funded by the Company and \$538 million for research and development performed under contract, primarily for the U.S. Government,



GE automatic meter reading and control system is a joint development of GE's Meter and Instrument Department in Somersworth, N.H., and the Research and Development Center.



Promising new material for high-temperature gas turbines and other machinery, combining properties of ceramics and metals, easily withstands blowtorch flame for GE research scientists.



Hot gas roaring at 3,000 mph down a shock tunnel at GE's Space Sciences Laboratory in Valley Forge, Pa., produced 1,800 KW of electricity at a 20% conversion efficiency during 1974 — a breakthrough for magnetohydrodynamics (MHD) technology.



A virtually pollution-free engine, with fuel that "burns cool," may result from this experimental development of a "transpiration burner" at GE's Research and Development Center.

Technology and Science Committee

In a time of scarcities and rapidly rising costs, it is more important than ever that General Electric allocate its resources to those areas of development that promise the greatest potential benefits for society as a whole — and thus to the Company and its share owners. Members of the Technology and Science Committee were highly conscious of this responsibility in their work during 1974.

In view of the proliferation of options for energy development activities, we sought to apply an independent judgment as to whether the Company is concentrating its development efforts on the technologies that will be of greatest benefit in meeting energy needs. We appraised the possible new energy sources - including solar energy, geothermal, fusion, etc. in terms of the practical contribution that each can be expected to make in the foreseeable future.

Advanced power generation techniques such as ultra-high-temperature gas turbines were given special attention, as were fuel conversion activities that promise a clean fuel supply for power plants.

Similarly, we reviewed the Company's advanced developments in energy transport and storage and in energy utilization.

Our discussions also extended to technological problem areas, including uranium enrichment and nuclear fuel reprocessing.

These reviews indicated to us that the Company's technological thrusts represent an integrated series of responsible and responsive programs to help society evolve better ways to produce the energy its growth and progress will require and to use its energy resources more efficiently.

Frederick L. Hovde, Chairman Herman L. Weiss, Vice Chairman Silas S. Cathcart Charles D. Dickey, Jr. Edmund W. Littlefield Dean A. McGee Jack S. Parker Gilbert H. Scribner, Jr.

Ex officio members: Walter D. Dance Reginald H. Jones

GE people '74: despite employment concerns, a strong social performance

While average employment by General Electric in the United States increased to 307,000 in 1974, a substantial number of lay-offs, necessitated by the economic slowdown, reduced the year-end total to 292,000.

The Company continued to emphasize employment and career opportunities for minorities and women. At the end of the third quarter of 1974 — the last period for which a breakdown of the Company's overall employment figures was completed — minority employment by General Electric and the General Electric Credit Corporation in the U.S. stood at 35,222 — a 5.0% increase over the 33,560 employed in the third quarter of 1973 — while total employment was up only 0.8%. Employment of women increased 1.7%, from 88,452 to 89,985.

In managerial and professional positions, minority and women employees experienced substantial increases while the total number of employees in these categories rose by 2.4%. Minority managers and professionals increased by 18.6%, growing from 2,474 to 2,934. Women in these categories showed a 38.2% increase, rising from 2,253 to 3,114.

Wages and benefits were improved for General Electric people in 1974, including pay and cost-of-living increases totaling 30 cents per hour for hourly and graded salary employees.

Effective January 1, 1975, accrued pension credits of active employees under the General Electric Pension Plan were adjusted for service before 1966, and pensions of employees who had previously retired directly from GE service were increased as of the same date. The last previous adjustment for prior service was made in 1971.

The amount of Company contributions to the Pension Trust has increased steadily and substantially in recent years, reaching \$148.6 million in 1974. This was an increase of 18% from the \$125.9 million in 1973 and was almost three times greater than the \$52.9 million in 1969.

GE people continued to turn in a strong social performance. The Companywide goal of a 15% saving in energy was achieved, resulting in fuel savings that included 33 million gallons of oil, 72,000 tons of coal and 4 billion cubic feet of natural gas at Company locations.

A main thrust for the Company's environmental protection teams in place at each of GE's manufacturing facilities was to design new plants and production processes with environmental considerations "built in" rather than requiring anti-pollution measures after the fact. The effectiveness of General Electric environmental protection programs was recognized by a number of awards in 1974 and by the U.S. Environmental Protection Agency's use during the year of the GE Pittsfield plant's thermal oxidizer as the best way to dispose of confiscated DDT.

Grants totaling \$3.4 million were made to over 800 educational institutions by the General Electric Foundation, a trust established in 1952. The Foundation, in 1974, increased its support of minority education programs, particularly those designed to increase the supply of minority engineering and finance graduates. The Annual Report of the Foundation will be available on request.



At new Field Engineering Development Center opened in 1974 in Schenectady, N.Y., engineering newcomers prepare for assignments with GE's Installation and Service Engineering Operations.





Environmental and energysaving programs at Lynn, Mass., River Works plant are aided by GE-designed system that collects waste oil from plant operations and jet engine testing and converts it to fuel for the plant.



Expo-Tech, GE's mobile technology show designed to present engineering as an approachable profession for minority youth, traveled to four cities in 1974 and was toured by some 40,000 minority junior high school students. Gyroscope made of a bicycle wheel keeps young people amused — and demonstrates an engineering principle — as they wait their turn.

Public Issues Committee

In 1974 this committee reviewed a number of political-legislative issues which materially affected General Electric. Our purpose continued to be that of evaluating the plans and programs adopted by management in response to these issues and, as appropriate, to present recommended courses of action to the full Board.

An examination was made of Company performance as an equal opportunity employer and the proper degree of disclosure of data relative to this performance. We recommended and the Board approved a course of action whereby management would release these data on a Companywide basis.

We also gave considerable attention to examining the position the Company would take on trade reform legislation.

We examined and endorsed the Company's proposals for responding to the Federal Trade Commission's line-of-business data collection program. We share management's concerns over the validity of this program - most particularly the meaninglessness of the application of accounting numbers to highly imprecise economic concepts of "profitability" in developing new policies attacking "industrial concentration."

The level of commitments to be recommended to the Board for support of charitable, educational and business organizations was also reviewed.

In these ways we serve the full Board, and the share owners, by providing more concentrated attention to major public issues impacting on General Electric than would be possible for the Board as a whole.

Gilbert W. Humphrey, Chairman Jack S. Parker, Vice Chairman James G. Boswell II Thomas S. Gates Henry H. Henley, Jr. Henry L. Hillman Frederick L. Hovde Samuel R. Pierce, Jr. Herman L. Weiss

Ex officio members: Walter D. Dance Reginald H. Jones

GE management '74: balancing decentralization and corporate controls

Materials shortages and rapidly rising costs, disparate market trends and other economic uncertainties made 1974 a year of severe tests for management philosophy and structure. General Electric's response was to reaffirm a basic belief in the advantages of decentralized management authority while at the same time introducing increased corporate scrutiny and controls to ensure effective strategic planning, resource allocation and attention to critical economic issues and opportunities for the Company as a whole.

Certain internal realignments of reporting relationships and responsibilities were made within the Corporate Executive Office during 1974 as the Chief Executive Officer was required to spend additional time in the analysis of the impacts on the Company that result from external political and social forces on both national and international fronts.

Vice Chairman and Executive Officer Herman L. Weiss was assigned additional cognizance for Corporate Staff components while continuing his responsibility for the operations of the Components and Materials Group. In a parallel reassignment, Vice Chairmen and Executive Officers Walter D. Dance and Jack S. Parker were assigned responsibility for four operating Groups each. Mr. Dance is responsible for Consumer Products, Industrial and Power Delivery, Major Appliance and Power Generation. Mr. Parker is responsible for Aerospace, Aircraft Engine, International and Canadian, and Special Systems and Products.

General Electric's Management Development Institute, in its 18th year, provided over 1,900 GE employees with managerial and professional learning opportunities. Indicative of the currency of its broad range of developmental offerings during the year was a new "Managing in an Inflationary Economy" executive workshop.



At General Electric's annual Management Conference, held in January 1975, the emphasis was on moving General Electric forward profitably — in a time of economic uncertainties and inflation.

Members of the Corporate Policy Committee Making up



Robert M Estes Senior Vice President General Counsel and Secretary



Hershner Cross Senior Vice President Corporate Administrative Staff

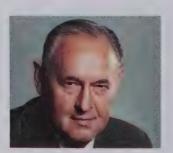


Charles E. Reed Senior Vice President Corporate Studies and Programs

Vice Presidents and Group Executives



John F. Burlingame International and Canadian



Mark Morton Aerospace



Edward E. Hood, Jr. Power Generation



Thomas A. Vanderslice Special Systems and Products

this committee are the Chairman, Vice Chairmen and the seven officers pictured here.



Reuben Gutoff Senior Vice President Corporate Strategic Planning



Oscar L. Dunn Senior Vice President Corporate Development



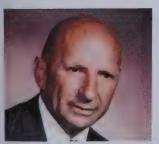
Alva O. Way Vice President Finance



Thomas O. Paine Senior Vice President Technology Planning and Development



Robert R. Frederick Consumer Products



Gerhard Neumann Aircraft Engine



Robert B. Kurtz Industrial and Power Delivery



John F. Welch, Jr. Components and Materials



Stanley C. Gault Major Appliance

Management Development and Compensation Committee

The quality of management, present and future, is the essential concern of this committee of the Board of Directors, no member of which is an employee of General Electric.

To discharge this responsibility we in 1974 conducted our annual review of all the principal elements that comprise the General Electric system of identifying highly talented and promotable managers, planning and implementing the development of such executives and actual selection decisions and processes. We also reviewed the salary structure and its appropriateness in this volatile year, the incentive and stock options plans, and the other benefit plans that apply to the management group. Included in our reviews were appraisals of the performance of key executives.

In 1974 we surveyed development and contingency plans for succession to the Corporate Executive Office and Corporate Policy Committee positions, and held several lengthy discussions of evolutionary alternative forms of Corporate organization extending through this decade. It is our opinion that sufficient thought has been given to, and that extensive plans have been made for, orderly and well reasoned management succession.

Our emphasis has been on providing an independent source of judgment concerning the identification, advancement and motivation of people who can supply successful leadership for General Electric.

Ralph Lazarus, Chairman J. Paul Austin Gilbert W. Humphrey Edmund W. Littlefield Walter B. Wriston

Management

Reginald H. Jones

Chairman of the Board and Chief Executive Officer **Hershner Cross**

Senior Vice President Corporate Administrative Staff **Corporate Policy Committee**

Vice Presidents and Group Executives

Walter D. Dance Vice Chairman of the Board and Executive Officer

Oscar L. Dunn Senior Vice President Corporate Development Jack S. Parker Vice Chairman of the Board and Executive Officer

Robert M. Estes Senior Vice President General Counsel and Secretary

John F. Burlingame VP and Group Executive International & Canadian Group

Robert R. Frederick VP and Group Executive Consumer Products Group

Stanley C. Gault VP and Group Executive Major Appliance Group

Edward E. Hood, Jr. VP and Group Executive Power Generation Group

Robert B. Kurtz VP and Group Executive Industrial & Power Delivery Group

L. William Ballard, Jr. VP-Consultant

Robert W. Lewis **VP-Corporate Facilities** Services

Walter A. Schlotterbeck VP and Corporate Counsel Arthur M. Bueche VP-Research and Development

Leonard C. Maier, Jr. **VP-Corporate Employee** Relations

Cecil S. Semple VP-Corporate Customer Relations

L. Berkley Davis VP-Washington Corporate Office

Edward H. Malone **VP-Trust Operations**

Steven C. Van Voorhis VP-Northeastern Regional Relations

Corporate Staff Officers

Lester W. Dettman VP-East Central Regional Relations

Maurice H. Mayo VP and Comptroller

Russell E. Whitmyer VP and Treasurer

Thomas K. Edenfield VP-Southeastern Regional Relations

John B. McKitterick VP and Staff Executive **Environmental Analysis**

James F. Young VP and Staff Executive **Technical Resources**

International & Canadian

Kristian H. Christiansen VP and General Manager International Sales Division

Willis E. Forsyth VP and General Manager Latin America Division

Richard W. Foxen VP and General Manager **Europe Division**

J. Russell Mudge VP and General Manager Far East Division

Hoyt P. Steele VP-International Business **Projects**

Walter G. Ward Chairman of the Board and Chief Executive Officer Canadian General Electric Company Limited (an affiliate of General Electric)

Alton S. Cartwright President Canadian General Electric Company Limited

Consumer Products

John S. Chamberlin VP and General Manager Housewares Division

Robert V. Corning VP and General Manager Lamp Division

Donald E. Perry VP and General Manager Home Entertainment Division

John W. Stanger President and General Manager General Electric **Credit Corporation** (an affiliate of General Electric)

Major Appliance

Arthur E. Andres VP and General Manager Contract Sales Division

William B. Clemmens VP and General Manager **Retail Sales Division**

Richard O. Donegan VP and General Manager Major Appliance Product Management Division

Joseph H. Gauss VP and General Manager Air Conditioning Division

Irving L. Griffin VP and General Manager Major Appliance Sales and Distribution Operations

Donald W. Lynch VP and General Manager Major Appliance **Engineering Division**

Lester E. Pankonin VP and General Manager Distribution Finance and Service Division

Van W. Williams General Manager Major Appliance Manufacturing Division

Operating Groups

Power Generation

Roy H. Beaton VP and General Manager **Energy Systems and Technology Division**

Herman R. Hill VP and General Manager Steam Turbine-Generator Division

Arthur E. Peltosalo VP and General Manager Power Systems Sales Operations

Whitman Ridgway VP-Consultant

George J. Stathakis VP and General Manager **Nuclear Energy Division**

William R. Tackaberry **VP-Power Systems** Field Sales

John A. Urquhart VP and General Manager Gas Turbine Division

Edward C. Clark Deputy Division General Manager Industrial and Marine Steam Turbine Operations

John D. Selby **Deputy Division** General Manager **Boiling Water Reactor Operations**

Industrial & Power Delivery

James P. Curley VP and General Manager Contractor Equipment Division

Ralph B. Glotzbach VP and General Manager Apparatus Distribution Sales Division

Richard W. Kinnard General Manager Switchgear Equipment Division

Bruce O. Roberts VP and General Manager Transformer and Distribution **Equipment Division**

Robert J. Rodwell VP and General Manager Motors and Drives Division

William R. Smart VP and General Manager Industrial Sales Division

Peter C. Van Dyck VP and General Manager Apparatus Service Division Herman L. Weiss Vice Chairman of the Board and Executive Officer

Reuben Gutoff Senior Vice President Corporate Strategic Planning

Mark Morton VP and Group Executive Aerospace Group

William B. Frogue VP-Southwestern Regional Relations

Charles J. Meloun VP-Central Regional Relations

David Cochran

Aerospace

VP and General Manager Aerospace Programs **Relations Division**

Daniel J. Fink VP and General Manager **Space Division**

Charles W. George VP and General Manager Aircraft Equipment Division

Otto Klima VP and General Manager Re-entry & Environmental Systems Division

Thomas I. Paganelli VP and General Manager **Electronic Systems** Division

Thomas O. Paine Senior Vice President **Technology Planning** and Development

Gerhard Neumann

Roy L. Johnson

VP and Group Executive

Aircraft Engine Group

VP and Staff Executive

Executive Manpower

VP-Corporate Public

Douglas S. Moore

Relations

Charles E. Reed Senior Vice President Corporate Studies and Programs

Thomas A. Vanderslice VP and Group Executive Special Systems & Products Group

Marion S. Kellogg VP-Corporate Consulting

Phillips S. Peter VP and Staff Executive Corporate Business Development

Services

Alva O. Way Vice President Finance

John F. Welch, Jr. VP and Group Executive Components & Materials Group

Harry M. Lawson VP-Western Regional Relations

Donald D. Scarff VP-Atlantic Regional Relations

Aircraft Engine

Robert H. Goldsmith VP and General Manager Commercial Engine Division

Raymond F. Letts VP and General Manager Group Manufacturing Division

Fred O. MacFee, Jr. VP-Group Strategic Planning Operation

Brian H. Rowe VP and General Manager Airline Programs Division

Louis V. Tomasetti **VP-Special Assignments**

Edward Woll VP and General Manager **Group Engineering Division**

James E. Worsham VP and General Manager Military Engine Division

Special Systems & Products

George J. Feeney VP and General Manager Information Services Division

Richard P. Gifford VP-Communication Projects

Christopher T. Kastner VP and General Manager **Communication Systems** Division

Erwin M. Koeritz VP and General Manager **Construction Materials** Division

Kertis P. Kuhlman VP and General Manager General Electric Supply Company Division

Carl J. Schlemmer VP and General Manager Transportation Systems Division

Components & Materials

Charles R. Carson VP and General Manager Chemical and Metallurgical Division

Donald E. Debacher General Manager Plastics Division

George B. Farnsworth VP and General Manager **Electronic Components** Division

Fred H. Holt VP and General Manager Appliance Components Division

Walter L. Robb VP and General Manager Medical Systems Division

Report of Independent **Certified Public Accountants**

To the Share Owners and Board of Directors of **General Electric Company**

We have examined the statement of financial position of General Electric Company and consolidated affiliates as of December 31, 1974 and 1973, and the related statements of current and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of General Electric Company and consolidated affiliates at December 31, 1974 and 1973, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Rest, Marrich Metabell & Co.

Peat, Marwick, Mitchell & Co. 345 Park Avenue, New York, N.Y. 10022 February 14, 1975

1974 Financial Summary

This summary comments on significant items in the consolidated financial statements on pages 31, 32 and 33, generally in the same order as they appear in those statements.

The information contained in this summary, in the opinion of management, substantially conforms with or exceeds the information required in the annual financial statements constituting part of the report (commonly called the "10-K Report") submitted to the Securities and Exchange Commission. The few exceptions, considered non-substantive, are noted as appropriate in the following text. A reproduction of the following statements and summary is filed with that agency.

As an aid in evaluating the data in this Financial Summary, significant accounting and reporting principles and policies followed by General Electric are printed in blue.

Consolidated financial statements and accompanying schedules in this Report include a consolidation of the accounts of the Parent—General Electric Company and those of all majority-owned affiliates (except finance affiliates since their operations are not similar to those of the consolidated group). All significant items relating to transactions between Parent and affiliated companies are eliminated from consolidated statements. Sales and net earnings attributable to each of the Company's major categories are summarized on page 3.

Except for plant and equipment and accumulated depreciation, assets and liabilities of foreign affiliates are translated into U.S. dollars at year-end exchange rates, and income and expense items are translated at average rates prevailing during the year. Plant and equipment and accumulated depreciation are translated at rates in effect at dates of acquisition of the assets. The net effect of translation gains and losses is included as other costs in current year operations. Translation losses for 1974 and 1973 were \$17.5 million and \$3.5 million respectively. **Net earnings** include the net income of finance affiliates and the consolidated group's share of earnings of associated companies which are not consolidated but in which the group owns 20% or more of the voting stock.

During 1974, net earnings amounted to \$608.1 million compared with prior year earnings of \$585.1 million. Earnings per common share were \$3.34 in 1974 compared with \$3.21 in 1973. Fully diluted earnings per common share, which would result from the potential exercise or conversion of such items as stock options and convertible debt outstanding, were \$3.31 in 1974 and \$3.18 in 1973.

Statement of Current and Retained Earnings

General	Electric	Compan	y and c	onsolidated	affiliates
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(In millions)

Sales of products and services to customers \$13,413.1 \$11,575.3 Operating costs Employee compensation, including benefits 5,223.0 4,709.7 Materials, supplies, services and other costs 6,966.7 5,690.5 Depreciation 376.2 334.0 Taxes, except those on income 123.0 113.5 Increase in inventories during the year (270.8) (227.2) 1crease in inventories during the year (270.8) (227.2) 1crease in inventories during the year (270.8) (227.2) Operating margin 995.0 954.8 Other income 185.8 183.7 Interest and other financial charges (180.1) (126.9) Earnings before income taxes & minority interest 1,000.7 1,011.6 Provision for income taxes (382.4) (418.7) Minority interest in earnings of consolidated affiliates (10.2) (7.8) Net earnings applicable to common stock 608.1 585.1 Dividends declared (291.2) (272.9) Amount added to retained earnings 316.9 312.2 </th <th>For the year</th> <th>1974</th> <th>1973</th>	For the year	1974	1973
Employee compensation, including benefits 5,223.0 4,709.7 Materials, supplies, services and other costs 6,966.7 5,690.5 Depreciation 376.2 334.0 Taxes, except those on income 123.0 113.5 Increase in inventories during the year (270.8) (227.2) 12,418.1 10,620.5 Operating margin 995.0 954.8 Other income 185.8 183.7 Interest and other financial charges (180.1) (126.9) Earnings before income taxes & minority interest 1,000.7 1,011.6 Provision for income taxes (382.4) (418.7) Minority interest in earnings of consolidated affiliates (10.2) (7.8) Net earnings applicable to common stock 608.1 585.1 Dividends declared (291.2) (272.9) Amount added to retained earnings 316.9 312.2 Retained earnings at January 1 2,683.6 2,371.4 Retained earnings per common share (In dollars) \$3,300.5 \$2,683.6	Sales of products and services to customers	. \$13,413.1	\$11,575.3
Employee compensation, including benefits 5,223.0 4,709.7 Materials, supplies, services and other costs 6,966.7 5,690.5 Depreciation 376.2 334.0 Taxes, except those on income 123.0 113.5 Increase in inventories during the year (270.8) (227.2) 12,418.1 10,620.5 Operating margin 995.0 954.8 Other income 185.8 183.7 Interest and other financial charges (180.1) (126.9) Earnings before income taxes & minority interest 1,000.7 1,011.6 Provision for income taxes (382.4) (418.7) Minority interest in earnings of consolidated affiliates (10.2) (7.8) Net earnings applicable to common stock 608.1 585.1 Dividends declared (291.2) (272.9) Amount added to retained earnings 316.9 312.2 Retained earnings at January 1 2,683.6 2,371.4 Retained earnings per common share (In dollars) \$3,300.5 \$2,683.6			
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Taxes, except those on income 123.0 113.5 Increase in inventories during the year (270.8) (227.2) 12,418.1 10,620.5 Operating margin 995.0 954.8 Other income 185.8 183.7 Interest and other financial charges (180.1) (126.9) Earnings before income taxes & minority interest 1,000.7 1,011.6 Provision for income taxes (382.4) (418.7) Minority interest in earnings of consolidated affiliates (10.2) (7.8) Net earnings applicable to common stock 608.1 585.1 Dividends declared (291.2) (272.9) Amount added to retained earnings 316.9 312.2 Retained earnings at January 1 2,683.6 2,371.4 Retained earnings at December 31 \$3,000.5 \$2,683.6 Earnings per common share (In dollars) \$3.34 \$3.21			
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Other income 185.8 183.7 Interest and other financial charges (180.1) (126.9) Earnings before income taxes & minority interest 1,000.7 1,011.6 Provision for income taxes (382.4) (418.7) Minority interest in earnings of consolidated affiliates (10.2) (7.8) Net earnings applicable to common stock 608.1 585.1 Dividends declared (291.2) (272.9) Amount added to retained earnings 316.9 312.2 Retained earnings at January 1 2,683.6 2,371.4 Retained earnings at December 31 \$ 3,000.5 \$ 2,683.6 Earnings per common share (In dollars) \$3.34 \$3.21			
Earnings before income taxes & minority interest. Provision for income taxes (382.4) (418.7) Minority interest in earnings of consolidated affiliates (10.2) (7.8) Net earnings applicable to common stock 608.1 585.1 Dividends declared (291.2) (272.9) Amount added to retained earnings 316.9 312.2 Retained earnings at January 1 (2,683.6) (2,371.4) Retained earnings at December 31 \$3,000.5 \$2,683.6			
Earnings before income taxes & minority interest . 1,000.7 1,011.6 Provision for income taxes . (382.4) (418.7) Minority interest in earnings of consolidated affiliates . (10.2) (7.8) Net earnings applicable to common stock . 608.1 585.1 Dividends declared . (291.2) (272.9) Amount added to retained earnings . 316.9 312.2 Retained earnings at January 1 . 2,683.6 2,371.4 Retained earnings at December 31 \$3,000.5 \$2,683.6			
Provision for income taxes (382.4) (418.7) Minority interest in earnings of consolidated affiliates (10.2) (7.8) Net earnings applicable to common stock 608.1 585.1 Dividends declared (291.2) (272.9) Amount added to retained earnings 316.9 312.2 Retained earnings at January 1 2,683.6 2,371.4 Retained earnings at December 31 \$3,000.5 \$2,683.6	interest and other imanetal energes	(100.1)	(120.3)
Minority interest in earnings of consolidated affiliates			1,011.6
Consolidated affiliates (10.2) (7.8) Net earnings applicable to common stock 608.1 585.1 Dividends declared (291.2) (272.9) Amount added to retained earnings 316.9 312.2 Retained earnings at January 1 2,683.6 2,371.4 Retained earnings at December 31 \$ 3,000.5 \$ 2,683.6 Earnings per common share (In dollars) \$3.34 \$3.21		(382.4)	(418.7)
Dividends declared (291.2) (272.9) Amount added to retained earnings 316.9 312.2 Retained earnings at January 1 2,683.6 2,371.4 Retained earnings at December 31 \$ 3,000.5 \$ 2,683.6 Earnings per common share (In dollars) \$3.34 \$3.21	•	(10.2)	(7.8)
Dividends declared (291.2) (272.9) Amount added to retained earnings 316.9 312.2 Retained earnings at January 1 2,683.6 2,371.4 Retained earnings at December 31 \$ 3,000.5 \$ 2,683.6 Earnings per common share (In dollars) \$3.34 \$3.21			
Amount added to retained earnings 316.9 312.2 Retained earnings at January 1 2,683.6 2,371.4 Retained earnings at December 31 \$ 3,000.5 \$ 2,683.6 Earnings per common share (In dollars) \$3.34 \$3.21	Net earnings applicable to common stock	608.1	585.1
Retained earnings at January 1 2,683.6 2,371.4 Retained earnings at December 31 \$ 3,000.5 \$ 2,683.6 Earnings per common share (In dollars) \$3.34 \$3.21	Dividends declared	(291.2)	(272.9)
Retained earnings at December 31 \$ 3,000.5 \$ 2,683.6 Earnings per common share (In dollars) \$3.34 \$3.21	Amount added to retained earnings	316.9	312.2
Earnings per common share (In dollars) \$3.34 \$3.21	Retained earnings at January 1	2,683.6	2,371.4
	Retained earnings at December 31	\$ 3,000.5	\$ 2,683.6
	Earnings per common share (In dollars)	\$3.34	\$3.21

Statement of Financial Position

General Electric Company and consolidated affiliates		(In millions)
December 31	1974	1973
Assets		
Cash	\$ 314.5	\$ 296.8
Marketable securities	57.3	25.3
Current receivables	2,593.8	2,177.1
Inventories	2,257.0	1,986.2
Current assets	5,222.6	4,485.4
Investments	1,004.8	869.7
Plant and equipment	2,615.6	2,360.5
Other assets	526.1	608.6
Total assets	\$9,369.1	\$8,324.2
Liabilities and equity		
Short-term borrowings	\$ 644.9	\$ 665.2
Accounts payable	696.0	673.5
Progress collections and price adjustments accrued	1,000.5	718.4
Dividends payable	72.8	72.7
Taxes accrued	337.2	310.0
Other costs and expenses accrued	1,128.1	1,052.6
Current liabilities	3,879.5	3,492.4
Long-term borrowings	1,195.2	917.2
Other liabilities	518.9	492.1
Total liabilities	5,593.6	4,901.7
Minority interest in equity of		
consolidated affiliates	71.2	50.1
Preferred stock		
Common stock	465.2	463.8
Amounts received for stock in excess of par value	414.5	409.5
Retained earnings	3,000.5	2,683.6
	3,880.2	3,556.9
Deduct common stock held in treasury	(175.9)	(184.5)
Total share owners' equity	3,704.3	3,372.4
Total liabilities and equity	\$9,369.1	\$8,324.2

Statement of Changes in Financial Position

General Electric Company and consolidated affiliates		(In millions)
For the year	1974	1973
Source of funds		
From operations:		
Net earnings	\$ 608.1	\$ 585.1
Less earnings retained by the Credit Corporation	(8.7)	(10.7)
Depreciation	376.2	334.0
Income tax timing differences	26.0	
	1,001.6	908.4
Major domestic long-term borrowings	300.0	_
Overseas Capital Corporation long-term borrowings	8.1	17.1
Increases in other long-term borrowings—net	13.9	2.0
Newly-issued common stock	24.6	11.7
Total source of funds	1,348.2	939.2
Application of funds		
Plant and equipment additions	671.8	598.6
Dividends declared	291.2	272.9
Investments	135.1	114.8
Reduction in major domestic long-term borrowings Reduction in Overseas Capital Corporation	17.0	31.5
long-term borrowings	27.0	17.7
Other—net	(144.0)	20.3
Total application of funds	998.1	1,055.8
Net increase (decrease) in working capital	\$ 350.1	\$ (116.6)
Analysis of changes in working capital		
Cash and marketable securities	\$ 49.7	\$ 27.8
Current receivables	416.7	251.1
Inventories	270.8	227.2
Short-term borrowings	20.3	(225.8)
Other payables	(407.4)	(396.9)
Net increase (decrease) in working capital	\$ 350.1	\$ (116.6)

(continued from page 30)

Sales of products and services to customers are reported in operating results only as title to products passes to the customer and as services are performed as contracted. Sales in 1974 totaled \$13,413.1 million, an increase of 16% over the 1973 level. Approximately one seventh of sales in 1974 and 1973 were to agencies of the U.S. government, which is the Company's largest single customer.

Operating costs are classified in the statement of current earnings according to the principal types of costs incurred. Operating costs reclassified as required by the Securities and Exchange Commission and pertinent supplemental details are shown in the table below.

Operating costs:		(In millions)
	1974	1973
Cost of goods sold	\$10,137.6	\$8,515.2
Selling, general and administrative expenses	2,280.5	2,105.3
Supplemental Details:		
Company funded research and development	351.9	330.7
Maintenance and repairs	318.7	319.6
Social security taxes	254.6	225.8
Advertising	161.0	170.5
Rent	100.4	86.6

Employee compensation, including the cost of employee benefits, amounted to \$5,223.0 million in 1974.

General Electric Company and its affiliates have a number of pension plans, the total cost of which was \$167.8 million in 1974 and \$135.5 million in 1973. The most significant of these plans is the General Electric Pension Plan in which substantially all employees in the United States who have completed one year of service with the Company are participating and the obligations of which are funded through the General Electric Pension Trust. Financial statements of the General Electric Pension Trust appear at right.

Investments of the Pension Trust are carried at amortized cost plus programmed appreciation in the common stock portfolio, the recognition of which is limited by a maximum ratio, calculated on a moving basis, of book to market values over a multiyear period. The limit was not exceeded at year-end 1974 or 1973. This accounting recognizes both the long-term nature of pension obligations and long-term market trends.

The funding program uses 6% as the estimated rate of future income which includes provision for the systematic recognition of appreciation in the common stock portfolio without giving undue weight to short-term market fluctuations.

Earnings of the Trust, including the programmed rec-

ognition of appreciation, as a percentage of book value of the portfolio were 6.7% for 1974 and 6.5% for 1973.

Unfunded liabilities of the Trust are being amortized over a 20-year period and are estimated to be \$458 million at December 31, 1974 based on book value of Trust assets compared with \$474 million at the end of 1973. These amounts included unfunded vested liability of \$345 million at December 31, 1974 and \$377 million at December 31, 1973. It is estimated that amendments to the Plan which became effective January 1, 1975 will result in an increase in the unfunded liability of approximately \$150 million. The Pension Plan substantially conforms with the Employee Retirement Income Security Act of 1974. The estimated market value of Trust assets was \$2,347 million at December 31, 1974 and \$2,805 million at December 31, 1973.

A supplementary pension plan was approved by the Board of Directors effective July 1, 1973. The purpose is to ensure that pension benefits for long-service professional and managerial employees, when combined with their social security benefits, bear a reasonable relationship to their final average earnings. Obligations of this pension supplement are not funded. Current service costs and amortization of past service costs

General Electric Pension Trust		(In millions)
Operating statement	1974	1973
Total assets at January 1	\$2,496.0	\$2,267.1
Company contributions	148.6	125.9
Employee contributions	44.4	38.6
	193.0	164.5
Dividends, interest and sundry income	119.9	111.4
Common stock appreciation: Realized	(7.0)	34.2
Accrued	86.2	34.4
Total programmed	79.2	68.6
Pensions paid	(126.1)	(115.6)
Total assets at December 31	\$2,762.0	\$2,496.0
Financial position—December 31		
U.S. Government obligations and guarantees	\$ 49.8	\$ 56.0
Corporate bonds, notes and mineral interests	263.6	344.8
Real estate and mortgages	448.3	410.7
Common stocks and convertibles	1,797.0	1,530.6
	2,558.7	2,342.1
Cash and short-term investments	108.9	55.8
Other assets—net	94.4	98.1
Total assets	\$2,762.0	\$2,496.0
Funded liabilities: Liability to pensioners	\$ 975.3	\$ 874.9
Liability for pensions to participants not yet retired	1,786.7	1,621.1
Total funded liabilities	\$2,762.0	\$2,496.0

over a period of 20 years are being charged to operations currently. Cost of this plan was \$4.2 million for 1974 and \$2.0 million for the partial year 1973. Unamortized past service costs for the supplementary pension plan were \$36 million and \$34 million at the end of 1974 and 1973 respectively.

Depreciation amounted to \$376.2 million in 1974 and \$334.0 million in 1973.

An accelerated depreciation method, based principally on a sum-of-the-years digits formula, is used to depreciate plant and equipment in the United States purchased in 1961 and subsequently. Assets purchased prior to 1961, and most assets outside the United States, are depreciated on a straight-line basis. Special depreciation is provided where equipment may be subject to abnormal economic conditions or obsolescence.

Taxes, except those on income, totaled \$123.0 million in 1974 and \$113.5 million in 1973. These were mainly franchise and property taxes. They exclude social security taxes which are included with employee benefits.

Other income amounted to \$185.8 million in 1974, an increase of \$2.1 million from 1973. Significant items included in other income are shown below.

Other income		(In millions)
	1974	1973
Net earnings of the Credit Corporation	\$ 42.7	\$ 41.7
Income from:		
Customer financing	40.2	32.4
Royalty and technical agreements	42.8	36.9
Marketable securities and bank deposits	17.3	17.7
Other investments	29.5	31.6
Sale of Honeywell stock	0.4	7.8
Other sundry income	12.9	15.6
	\$185.8	\$183.7

Net earnings of General Electric Credit Corporation were \$42.7 million in 1974, about the same as in 1973. Condensed financial statements for the Credit Corporation appear on page 37.

The Company sold 174,716 shares of Honeywell common stock in 1974 and 168,000 shares in 1973. Capital gains (using average cost) from these sales were \$0.4 million and \$7.8 million respectively (\$0.3 million and \$5.5 million after taxes).

Interest and other financial charges increased to \$180.1 million in 1974 from \$126.9 million in 1973 primarily because of higher short-term borrowing rates and a higher level of borrowings in support of sales growth. Amounts applicable to principal items of long-term borrowings were \$74.1 million in 1974 and \$58.3 million in 1973.

Provision for income taxes amounted to \$382.4 million in 1974. Details of this amount are shown below.

Provision for income taxes is based on the income and costs included in the Statement of Current and Retained Earnings on page 31.

Provision for income taxes		(In millions)
	1974	1973
U.S. Federal income taxes:		
Estimated amount payable	\$262.1	\$321.2
Effect of timing differences	30.2	0.4
Investment credit deferred—net	11.1	13.0
	303.4	334.6
Foreign income taxes:		
Estimated amount payable	74.5	71.4
Effect of timing differences	(4.2)	(0.4
	70.3	71.0
Other (principally state and		
local income taxes)	8.7	13.1
	\$382.4	\$418.7

Amounts of income taxes shown as payable are determined by applicable statutes and government regulations. Timing differences result from the fact that under applicable statutes and regulations some items of income and cost are not recognized in the same time period as good accounting practice requires them to be recorded. The cumulative net effect of such items is that earnings on which tax payments were required have been higher than earnings reported in the Company's Annual Reports. Accordingly, a deferred-tax asset has been established to record the reduction of future tax payments. This asset is shown under Other assets in the table on page 38. Details of the effect of timing differences on the provision for U.S. Federal income taxes are shown below. Individual timing differences reflected in foreign income taxes were not significant.

Provision has been made for Federal income taxes to be paid on that portion of the undistributed earnings of

Effect of timing differences on U.S. Federal income taxes (In millions)		
Increase (decrease) in provision for income taxes	1974	1973
Tax over book depreciation	\$16.7	\$12.1
Undistributed earnings of affiliates	10.5	6.7
Margin on installment sales	3.6	1.1
Provision for:		
Warranties	(6.6)	(7.7)
Other costs and expenses	15.0	(2.4)
Other—net	_(9.0)	(9.4)
	\$30.2	\$ 0.4

affiliates and associated companies expected to be remitted to the Parent. Undistributed earnings intended to be reinvested indefinitely in these companies totaled \$423 million at the end of 1974 and \$328 million at the end of 1973.

During 1974, U.S. Federal income tax returns of the Parent were settled for the years 1965 through 1968.

The Company follows the practice of amortizing the investment credit to income over the life of the underlying facilities rather than in the year in which facilities are placed in service. Investment credit amounted to \$23.9 million in 1974 compared with \$23.6 million in the prior year. In 1974 \$12.8 million was added to net earnings compared with \$10.6 million in 1973. At the end of 1974, the amount still deferred and to be included in net earnings in future years was \$83.9 million. If the Company had "flowed through" the investment credit, this amount would have been included in earnings during 1974 and prior years.

Provision for income taxes amounted to 38.2% of income before taxes in 1974 compared with 41.4% in 1973.A reconciliation of these effective tax rates to the U.S. Federal statutory rate of 48.0% is shown below.

Reconciliation of statutory and effective income tax rates		
	1974	1973
U.S. Federal statutory rate	48.0%	48.0%
Reduction in taxes resulting from:		
Consolidated affiliate earnings (including DISC) subject to aggregate effective tax rates generally less than 48%	(6.4)	(2.5)
Inclusion of earnings of the Credit Corporation in before-tax income on an "after-tax" basis	(2.0)	(2.0)
Investment credit	(1.3)	(1.0)
Income taxed at capital gains rates	(0.3)	(0.3)
Other—net	0.2	(0.8)
Effective tax rate	38.2%	41.4%

Minority interest in earnings of consolidated affiliates represents the interest which other share owners have in net earnings and losses of consolidated affiliates not wholly owned by the Company.

Cash and marketable securities totaled \$371.8 million at the end of 1974, an increase of \$49.7 million from the end of 1973. Time deposits and certificates of deposit aggregated \$85.4 million at December 31, 1974 and \$134.4 million at December 31, 1973. Deposits restricted as to usage and withdrawal or used as partial compensation for short-term borrowing arrangements were not material.

Marketable securities are carried at the lower of amortized cost or market value. Carrying value was substantially the same as market value.

Current receivables, less allowance for losses, totaled \$2,593.8 million at December 31, 1974 as shown in the table below. The increase of \$416.7 million, or 19%, during the year was due principally to the increase in sales in 1974. Other current receivables include the current portion of advances to suppliers and similar items not directly arising from sales of goods and services. Longterm receivables, less allowance for losses, are reported under Other assets. Supplemental information on sources of charges and credits to allowance for losses is included in the Form 10-K Report.

Current receivables		(In millions)
December 31	1974	1973
Customers' accounts and notes	\$2,288.9	\$1,996.4
Nonconsolidated affiliates	0.8	0.5
Other /	361.3	238.7
	2,651.0	2,235.6
Less allowance for losses	(57.2)	(58.5)
	\$2,593.8	\$2,177.1

Inventories are summarized below, and at the end of 1974 were \$2,257.0 million compared with \$1,986.2 million at December 31, 1973 and \$1,759.0 million at January 1, 1973. About 80% of total inventories are in the United States and substantially all of these are valued on a last-in, first-out (LIFO) basis. Substantially all of those outside the United States are valued on a first-in, first-out (FIFO) basis. Such valuations are not in excess of market and are based on cost, exclusive of certain indirect manufacturing expenses and profits on sales between the Parent and affiliated companies. If the FIFO method of inventory accounting had been used by the Company, inventories would have been \$783.7 million and \$429.7 million higher than reported at December 31, 1974, and December 31, 1973, respectively.

Inventories		(In millions)
December 31	1974	1973
Raw materials and work in process	\$1,483.1	\$1,276.1
Finished goods	658.5	604.6
Unbilled shipments	115.4	105.5
	\$2,257.0	\$1,986.2

Working capital (current assets less current liabilities) totaled \$1,343.1 million, an increase of \$350.1 million during 1974. The statement on page 33 provides a summary of major sources and applications of funds as well as an analysis of changes in working capital.

Investments amounted to \$1,004.8 million at the end of 1974 as shown in the following table.

Investments		(In millions)
December 31	1974	1973
Nonconsolidated finance affiliates	\$ 456.5	\$327.4
Honeywell Inc. and Honeywell Information Systems Inc.	141.3	154.6
Associated companies	48.3	68.1
Miscellaneous investments:		
Government and government guaranteed securities	210.7	181.2
AEG (Germany)—stock and convertibles	39.2	39.2
Toshiba (Japan)—stock	34.1	33.9
Other	87.2	77.4
	371.2	331.7
Less allowance for losses	(12.5)	(12.1)
	\$1,004.8	\$869.7

Investments in nonconsolidated finance affiliates are carried at equity plus advances. Advances to these finance affiliates aggregated \$0.7 million at the end of 1974 and 1973.

Investment in General Electric Credit Corporation, a wholly-owned nonconsolidated finance affiliate, amounted to \$449.2 million at the end of 1974 and \$321.4 million at the end of 1973. Condensed financial statements for the General Electric Credit Corporation and its consolidated affiliates are shown at right. Copies of its 1974 Annual Report may be obtained by writing to General Electric Credit Corporation, P.O. Box 8300, Stamford, Conn. 06904.

Investments in the common stock of Honeywell Inc. and Honeywell Information Systems Inc. (HIS), a subsidiary of Honeywell, are recorded at appraised fair value as of date of acquisition, October 1, 1970, when the information systems equipment business was transferred to HIS. The appraised fair value recognized such factors as the size of the holdings, the various requirements and restrictions on the timing of the sale or other disposition of the securities, as well as the uncertainty of future events. The recorded value at December 31, 1974 was substantially less than tax cost.

At December 31, 1974, General Electric held 1,437,716 shares of Honeywell common stock compared with 1,612,432 shares at December 31, 1973. As commented upon under Other income, on page 35, General Electric sold 174,716 shares of Honeywell common stock in 1974 and 168,000 in 1973. Cumulative sales through the end of 1974 were 1,087,716 shares.

In addition, General Electric continues to hold its 181/2% ownership in HIS. In 1974 the Agreement between General Electric and Honeywell concerning the disposition of this interest was revised. Under the terms of the

revised Agreement, General Electric can require Honeywell to purchase its interest at any time during 1976 for 1,500,000 shares of Honeywell stock, at any time during 1977 for 1,800,000 shares of Honeywell stock and at any time during 1978 for 2,200,000 shares of Honeywell stock. In addition, under certain circumstances Honeywell has the right during the 1976-1977 period to require General Electric to sell its HIS interest to Honeywell in return for 2,200,000 shares of Honeywell stock. During 1978 Honeywell has an unlimited right to purchase General Electric's HIS interest for 2,200,000 shares of Honeywell stock. The December 31, 1974 investment in Honeywell Inc. and HIS, expressing the investment in HIS in terms of the 2,200,000 option shares, would have

General Electric Credit Corporation	(In millions)				
Financial position					
December 31	1974	1973			
Cash and marketable securities	\$ 161.8	\$ 141.4			
Receivables	4,668.4	3,835.0			
Deferred income	(525.6)	(396.7)			
Allowance for losses	(92.7)	(76.7)			
Net receivables	4,050.1	3,361.6			
Other assets	98.0	27.0			
Total assets	\$4,309.9	\$3,530.0			
Notes payable:					
Due within one year	\$2,111.1	\$1,756.2			
Long-term—senior	959.6	760.8			
-subordinated	250.3	254.8			
Other liabilities	240.8	220.6			
Total liabilities	3,561.8	2,992.4			
Deferred credits	299.7	216.9			
Capital stock	267.5	160.0			
Additional paid-in capital	11.5	_			
Retained earnings	169.4	160.7			
Equity	448.4	320.7			
Total liabilities, deferred credits and equity	\$4,309.9	\$3,530.0			
Current and retained earnings					
For the year	1974	1973			
Earned income	\$ 561.3	\$ 406.4			
Expenses:					
Operating and administrative	163.3	117.0			
Interest and discount	283.7	190.3			
Provision for receivable losses	45.9	28.1			
Provision for income taxes	25.7	29.3			
	518.6	364.7			
Net earnings	42.7	41.7			
Less dividends	(34.0)	(31.0)			
Retained earnings at January 1	160.7	150.0			
Retained earnings at December 31	\$ 169.4	\$ 160.7			

been \$76 million using the closing market price of Honeywell Inc. common stock.

General Electric's commitment to the U.S. Department of Justice concerning the disposition of the Honeywell stock was also revised during 1974. General Electric is now committed to dispose of its current holding of Honeywell common stock in an orderly manner by June 30, 1978 and all other shares of Honeywell common stock that General Electric receives for its interest in HIS by December 31, 1980

A voting trust has been established in which General Electric must deposit all shares of Honeywell common stock received as part of these transactions.

Investments in associated companies which are not consolidated but in which the Company owns 20% or more of the voting stock are valued by the equity method.

Miscellaneous investments are valued at cost. On December 31, 1974, the estimated realizable value of these investments was approximately \$402 million, a decrease of \$3 million during the year.

Plant and equipment represents the original cost of land, buildings and equipment less estimated cost consumed by wear and obsolescence. Details of plant and equipment and accumulated depreciation are shown in the table below. Additions, dispositions, provisions for depreciation and other changes in plant and equipment, analyzed by major classes, are included in the 10-K Report. Expenditures for maintenance and repairs are charged to operations as incurred.

Plant and equipment		(In millions)
	1974	1973
Major classes at December 31:		
Land and improvements	\$ 112.5	\$ 104.4
Buildings, structures and related equipment	1,617.6	1,445.9
Machinery and equipment	3,500.6	3,138.5
Leasehold costs and plant under construction	216.4 \$5,447.1	<u>231.0</u> \$4,919.8
Cost at January 1	\$4,919.8	\$4,449.2
Additions	671.8	598.6
Dispositions	(144.5)	(128.0)
Cost at December 31	\$5,447.1	\$4,919.8
Accumulated depreciation		
Balance at January 1	\$2,559.3	\$2,312.6
Current year provision	376.2	334.0
Dispositions	(121.1)	(95.8)
Other changes	17.1	8.5
Balance at December 31	\$2,831.5	\$2,559.3
Plant and equipment less depreciation at December 31	\$2,615.6	\$2,360.5

Other assets, less allowance for losses of \$9.6 million (\$15.1 million at December 31, 1973), totaled \$526.1 million at December 31, 1974. Details of Other assets are shown below.

Other assets			(In millions)
	December 31	1974	1973
Long-term receivables		\$178.0	\$173.4
Customer financing		78.1	141.2
Deferred income taxes		104.8	131.0
Recoverable engineering of Government contracts	costs on	54.7	61.3
Deferred charges		41.1	32.4
Licenses and other intangi	blesnet	30.5	30.9
Other		38.9	38.4
		\$526.1	\$608.6

The reduction in Customer financing in 1974 was due principally to the granting by the Company to General Electric Credit Corporation of a 100% participation in approximately \$67 million of these assets, as well as approximately \$18 million of receivables, in exchange for additional equity.

Deferred income taxes applicable to current assets and liabilities were \$95.9 million and \$97.8 million at the end of 1974 and 1973 respectively.

Research and development expenditures, except those specified as recoverable engineering costs on Government contracts, are charged to operations as incurred. Expenditures of Company funds for research and development are shown under Supplemental Details in the table on page 34.

Licenses and other intangibles acquired after October 1970 are being amortized over appropriate periods of time.

Short-term borrowings, those due within one year, totaled \$644.9 million at the end of 1974, compared with \$665.2 million at the end of the previous year. A summary of these borrowings at year-end 1974 and 1973, and the applicable average interest rates at December 31 are shown in the tabulation at upper right.

The average balance of short-term borrowings, excluding the current portion of long-term borrowings, during 1974 was \$858.2 million (calculated by averaging all month-end balances for the year) compared with an average balance of \$594.7 million in 1973. The maximum balance included in these calculations was \$1,089.0 million and \$775.1 million at the end of April 1974 and November 1973, respectively. The average interest rate for the year 1974 was 11.7%, and for 1973 was 9.9%. These average rates represent total short-term interest expense divided by the average balance outstanding.

Short-term borrowings				(In millions)	
December 31	19	74	19	1973	
	Amount	Average rate at Dec. 31	Amount	Average rate at Dec. 31	
Parent					
Banks	\$ —	— %	\$ 99.0	9.68%	
Notes with Trust Departments	225.8	8.74	215.8	7.93	
Commercial paper	45.1	9.75	124.3	9.71	
Consolidated affiliates					
Banks	279.4	15.37	168.9	12.12	
Commercial paper	31.3	12.81	_	_	
Other, including current portion of long-term					
borrowings	63.3	_	57.2	_	
	\$644.9		\$665.2		

Parent borrowings are from U.S. sources. Borrowings of affiliated companies, most of which are foreign, are primarily from sources outside the U.S.

Although the total unused credit available to the Company through banks and commercial credit markets is not readily quantifiable, informal credit lines in excess of \$850 million had been extended by approximately 135 U.S. banks at year-end 1974.

Accounts payable at December 31, 1974 and 1973 are shown below.

Accounts payable			(In millions)
De	cember 31	1974	1973
Trade		\$607.5	\$583.4
Collected for the account of others	3	87.7	67.0
Nonconsolidated affiliates		0.8	23.1
		\$696.0	\$673.5

Progress collections and price adjustments accrued represents primarily collections from customers on contracts in progress as well as anticipated price adjustments on contracts.

Taxes accrued include estimated amounts payable for current and prior year U.S. Federal income taxes, current and prior year foreign income taxes and social security taxes.

Other costs and expenses accrued at the end of 1974 included compensation and benefit costs accrued of \$452.1 million and interest expense accrued of \$27.6 million. At the end of 1973, compensation and benefit costs accrued were \$385.6 million and interest expense accrued was \$22.6 million. The remaining costs and expenses accrued included liabilities for such items as product claims, allowances to customers, advertising costs, utility charges and employee-related expenses.

Long-term borrowings amounted to \$1,195.2 million at December 31, 1974, compared with \$917.2 million at the end of 1973 as summarized below.

During 1974, the Company issued \$300 million of 81/2% Debentures due in 2004. The net proceeds of this offering were added to the general funds of the Company and were used to reduce short-term borrowings.

Borrowings of General Electric Overseas Capital Corporation (a wholly-owned consolidated affiliate) are unconditionally guaranteed by General Electric as to payment of principal, premium, if any, and interest. This Corporation primarily assists in financing capital requirements of foreign companies in which General Electric has an equity interest as well as financing certain customer purchases. The borrowings include the Corporation's 41/4 % Guaranteed Bonds due in 1985 which are convertible through November 1975 into General Electric common stock at \$65.50 a share, the Corporation's 41/4% Guaranteed Debentures due in 1987 which are convertible until June 15, 1987 into General Electric common stock at \$80.75 a share and 51/2% Sterling/Dollar Guaranteed Loan Stock due in 1993 in the amount of \$3.6 million (\$8.4 million), convertible from October 1976 into General Electric common stock at \$73.50 a share.

Other long-term borrowings were largely by foreign affiliates with various interest rates and maturities.

Long-term borrowing maturities during the next five years, including the portion classified as current, are \$53.0 million in 1975, \$144.0 million in 1976, \$28.6 million in 1977, \$34.5 million in 1978 and \$163.2 million in 1979. These amounts are after deducting reacquired debentures held in the treasury for sinking fund requirements.

Long-term borrowings			(In millions)
			Sinking fund/ pre-payment
Outstanding December 31	1974	1973	period
General Electric Company:			
31/2% Debentures due in 1976	\$ 84.3	\$ 84.3	1961-75
61/4% Debentures due in 1979	125.0	125.0	None
53/4% Notes due in 1991	100.0	106.2	1972-90
5.30% Debentures due in 1992	150.0	160.8	1973-91
71/2% Debentures due in 1996	200.0	200.0	1977-95
81/2% Debentures due in 2004	300.0		1985-03
General Electric Overseas Capital Corporation:			
41/4% Bonds due in 1985	48.8	50.0	1976-84
41/4% Debentures due in 1987	50.0	50.0	None
51/2% Sterling/Dollar Guaranteed Loan Stock			
due in 1993	8.4	8.3	None
Other	55.3	73.1	
Other	73.4	59.5	
	\$1,195.2	\$917.2	

Sinking fund transactions for 1974 are shown below.

1974 Sinking fund transact	ctions		(In millions)
	Re	etirements	Face value in
	Face value	Re-acquired cost value	treasury December 31, 1974
General Electric Company:			
31/2% Debentures	\$14.7	\$13.0	\$14.1
5.30% Debentures	10.0	7.9	30.0
General Electric Overseas Capital Corporation:			
41/4% Bonds due in 1985	_	_	1.2

General Electric Company 5%% Notes having a value of \$6.2 million were retired during 1974 in accordance with pre-payment requirements.

Additional miscellaneous details pertaining to long-term borrowings are available in the 10-K Report.

Other liabilities were \$518.9 million at December 31, 1974 compared with \$492.1 million at December 31, 1973 and included such items as the deferred investment tax credit, the noncurrent portion of the allowance for replacements under guarantees, deferred incentive compensation, and other miscellaneous employee plans costs.

Preferred stock, \$1.00 par value, to a total of 2,000,000 shares, has been authorized by the share owners. No preferred shares have been issued.

Common stock, \$2.50 par value, a total of 210,000,000 shares, has been authorized by the share owners. Shares issued and outstanding at the end of the last two years are shown below.

Common stock issued and outstandi	ng	
	1974	1973
Shares issued at January 1	185,518,257	185,243,848
New shares issued:		
Stock option plans	49,091	274,409
Savings and Security Program	500,000	
Shares issued at December 31	186,067,348	185,518,257
Less shares held in treasury	(3,416,316)	(3,370,759)
Shares outstanding at December 31	182,651,032	182,147,498

Common stock held in treasury for various corporate purposes totaled \$175.9 million at the close of 1974. The comparable amount at the end of 1973 was \$184.5 million. Purchases during 1974 totaled 1,256,896 shares including 249,557 at current market prices from employees who acquired them through employee plans other than stock option plans. Other purchases were primarily through regular transactions in the security markets. Dispositions are shown at upper right.

Included in common stock held in treasury for the de-

Dispositions of treasury shares		
	1974	1973
Employee savings plans	1,066,158	1,011,101
Incentive compensation plans	129,405	107,216
Business combinations	15,776	105,000
Other		49
	1,211,339	1,223,366

ferred compensation provisions of incentive compensation plans were 1,297,576 shares at December 31, 1974 and 1,222,422 shares at December 31, 1973. These shares are carried at market value at the time of allotment which amounted to \$61.4 million and \$56.8 million at December 31, 1974 and 1973 respectively. The liability is recorded under other liabilities.

The remaining common stock held in treasury is carried at cost, \$114.5 million at the end of 1974 and \$127.7 million at the end of 1973. These shares are held for future corporate requirements including 1,483,374 shares for possible conversion of General Electric Overseas Capital Corporation convertible indebtedness described under long-term borrowings, for distributions under employee savings plans and for incentive compensation awards.

Amounts in excess of par value received for stock increased \$5.0 million during 1974, resulting principally from amounts received for newly-issued shares in excess of par value of \$20.0 million, partially offset by net losses from treasury stock transactions of \$15.0 million. During 1973, there was an increase of \$12.9 million which resulted from amounts received for newly-issued shares in excess of par value of \$11.1 million and net gains from treasury stock transactions of \$1.8 million.

Incentive compensation plans provide incentive for outstanding performance to over 3,000 key employees. Allotments made in 1974 for services performed in 1973 aggregated \$30.7 million. Allotments made in 1973 for services performed in 1972 totaled \$27.8 million.

Retained earnings at year-end 1974 totaled \$3,000.5 million and included approximately \$178.3 million representing the excess of earnings of General Electric Credit Corporation over dividends received from this affiliate since its formation. In addition, retained earnings have been reduced by \$1.3 million, which represents the change in equity in associated companies since acquisition. At the end of 1973, these amounts were \$169.6 million and \$0.6 million respectively.

The Stock Option and Stock Appreciation Rights Plan approved by the share owners in 1973, and previous plans under which options remain outstanding, provide continuing incentive for more than 500 employees. Option price under these plans is the full market value of

General Electric common stock on date of grant. Therefore, participants in the plans do not benefit unless the stock's market price rises, thus benefiting all share owners. Also, an employee can only exercise his option to the extent that annual installments have matured, normally over a period of nine years. Thus the plans encourage managers and professional employees to have the longterm entrepreneurial interest that will benefit all share owners.

At the end of 1974, there were 2,500,000 shares reserved for the 1973 Plan, and 1,899,392 shares covered by outstanding options granted under prior plans, for a total of 4,399,392 shares. Of this total amount, 970,541 shares were subject to exercisable options, 2,199,941 shares were under options not vet exercisable and 1,228,910 shares were available for granting options in the future. The number of shares available for granting options at the end of 1973 was 1,945,035. A summary of stock option transactions during the last two years is shown below. Further details on stock options are available in the 10-K Report.

Stock Options		Average per share	
1	Shares subject to option	Option price	Market price
Balance at Dec. 31, 1972	2,476,911	\$50.27	\$72.88
Options granted	554,965	64.75	64.75
Options exercised	(273,569)	42.84	63.69
Options terminated	(80,076)	52.50	_
Balance at Dec. 31, 1973	2,678,231	53.96	63.00
Options granted	734,537	39.39	39.39
Options exercised	(48,689)	44.55	53.49
Options terminated	(193,597)	50.52	
Balance at Dec. 31, 1974	3,170,482	50.94	33.38

Lease commitments and contingent liabilities, consisting of guarantees, pending litigation, taxes and other claims, in the opinion of management, are not considered to be material in relation to the financial position of the Company.

Audit and Finance Committee

During 1974 this committee continued to serve share owners' interests by monitoring and counseling management in the utilization of the Company's financial resources.

At our February joint meeting with the Operations Committee we reviewed the 1973 Annual Report and the 1974 Proxy Statement and, with no employee members of the Board present, met with the responsible executives of the independent public accountants with respect to their audit of the financial statements contained in the Annual Report. The committee determined to its satisfaction that the accountants had received the full cooperation of management and had no qualifications to make in their report.

In our other 1974 meetings, the committee conducted reviews of the Company's financial condition, including short- and long-term borrowings, changes in cash and marketable securities, receivable and inventory balances, holdings of Honeywell stock, plant and equipment expenditures, and total debt and equity relationships.

Aware of the unusually severe impact that external forces are having on the Company's financial structure, we maintained a dialogue with management on public positions to be taken, especially those regarding financial matters.

John E. Lawrence, Chairman Reginald H. Jones, Vice Chairman Silas S. Cathcart Thomas S. Gates Henry H. Henley, Jr. Dean A. McGee Samuel R. Pierce, Jr. Gilbert H. Scribner, Jr. Herman L. Weiss Walter B. Wriston

Ex officio members Walter D. Dance Jack S. Parker

Historical review

The historical data summarized at right is presented as a supplement to the information provided in this Annual Report. For a discussion and analysis of results of operations, and the Company's financial position and changes affecting it for the year 1974 compared with 1973, see the Financial Summary on pages 30 to 41. In addition, the Review of Operations on pages 8 to 21 reports on significant factors, including inflation and the cost-price squeeze, that affected operating results for major categories of the Company's business for the same two years. The summary of operations at right provides a longer time frame for analyzing results and other data frequently of interest to share owners.

For additional perspective on the most recent five years, it should be recalled that many domestic operations were affected by a strike which began in 1969 and extended into February 1970. Also, in October 1970, computer operations, which had been operating at a loss, were transferred to Honeywell Inc. Thus, direct comparisons of subsequent years' results with those of 1970 may be distorted. Sales in 1972 increased 9 percent from 1971 and sales in 1973 increased 13 percent from 1972. Operating costs increased in each of these years generally in line with increased sales volume. The sharp increases in Other income in 1971 and 1972 resulted in large part from gains on sales of Honeywell Inc. stock and improved earnings by General Electric Credit Corporation. The increase in interest expense in 1973 resulted primarily from higher short-term borrowing rates. Provision for income taxes as a percent of pre-tax income, while increasing from 40.0 in 1971 to 41.4 in 1973, was relatively stable, although specific elements entering into tax calculations for each period have varied. The tabular data on pages 8 through 21 show the operating results as reported by major categories for 1970 through 1974 and should be referred to for a better understanding of their differing impacts on total Company results for any particular year.

Supplemental market price data for General Electric common stock showing high and low prices on the New York Stock Exchange by quarter for each of the last two years are as follows:

	1974		1973	
First Quarter	\$65	\$50¾	\$75%	\$621/4
Second Quarter	56	46¾	64%	55
Third Quarter	49¾	30	65%	553/4
Fourth Quarter	401/2	301/2	685/8	57

Dividends declared during the first two quarters of 1973 were 35 cents per share and were increased to the present rate of 40 cents per share in the third quarter of that year.

Ten year financial highlights	1974		
Summary of operations			
Sales of products and services	\$13,413.1		
Materials, engineering & production costs	10,137.6		
Selling, general & administrative expenses	2,280.5		
Operating costs	12,418.1		
Operating margin	995.0		
Other income	185.8		
Interest and other financial charges	(180.1)		
Earnings before income taxes & minority interest	1,000.7		
Provision for income taxes	(382.4)		
Minority interest	(10.2)		
Net earnings	\$ 608.1		
Earnings per common share (a)	\$ 3.34		
Dividends declared per common share (a)	\$ 1.60		
Earnings as a percentage of sales	4.5%		
Earned on share owners' equity	17.2%		
Cash dividends declared	\$ 291.2		
Shares outstanding-average (In thousands) (a)	182,120		
Share owner accounts-average	547,000		
Market price range per share (a) (b)	65-30		
Price / earnings ratio range	19-9		
Current assets	\$ 5,222.6		
Current liabilities	3,879.5		
Total assets	9,369.1		
Share owners' equity	3,704.3		
5			
Plant and equipment additions	\$ 671.8		
Depreciation	376.2		
Employees-average worldwide	404,000		
-average U.S.	307,000		

⁽a) Amounts have been adjusted for the two-for-one stock split in April 1971.

⁽b) Represents high and low market price on New York Stock Exchange for each year.

(Dollar amounts in millions; per-share amounts in dollars)

	1973		1972	1971	1970	1969	/ 1968	1967	1966	1965	Additional information, including financial
\$	11,575.3	\$	310,239.5	\$9,425.3	\$8,726.7	\$8,448.0	\$8,381.6	\$7,741.2	\$7,177.3	\$6,213.6	statements of the General Electric Pension Trust and the Company's Form 10-K
	8,515.2		7,509.6	6,962.1	6,423.6	6,346.1	6,251.7	5,779.4	5,311.0	4,449.2	Report, is available to
2,105.3		_	1,915.2	1,726.2	1,754.2	1,615.3	1,482.1	1,320.9	1,234.3	1,118.9	share owners. Requests should be sent to:
	10,620.5	_	9,424.8	8,688.3	8,177.8	7,961.4	7,733.8	7,100.3	6,545.3	5,568.1	Investor Relations,
	954.8		814.7	⁵ 737.0	548.9	486.6	647.8	640.9	632.0	645.5	General Electric Company, Fairfield, Connecticut
	183.7		189.2	152.0	106.8	98.7	86.3	91.4	72.4	72.1	06431
L	(126.9)	_	(106.7)	(96.9)	(101.4)	(78.1)	(70.5)	(62.9)	(39.9)	(27.4)	
	1,011.6		897.2	792.1	554.3	507.2	663.6	669.4	664.5	690.2	
	(418.7)		(364.1)	(317.1)	(220.6)	(231.5)	(312.3)	(320.5)	(347.4)	(352.2)	
_	(7.8)	_	(3.1)	(3.2)	(5.2)	2.3	5.8	12.5	21.8	<u>17.1</u>	
\$	585.1	9	530.0	\$ 471.8	\$ 328.5	\$ 278.0	\$ 357.1	\$ 361.4	\$ 338.9	\$ 355.1	
\$	3.21	\$	2.91	\$ 2.60	\$ 1.81	\$ 1.54	\$ 1.98	\$ 2.00	\$ 1.88	\$ 1.97	The 1974 Annual Report is one of four quarterly issues of
\$	1.50	\$	1.40	\$ 1.38	\$ 1.30	\$ 1.30	\$ 1.30	\$ 1.30	\$ 1.30	\$ 1.20	The General Electric Investor, published to inform share
	5.1%		5.2%	5.0%	3.8%	3.3%	4.3%	4.7%	4.7%	5.7%	owners and investors about activities of the
	18.1%		18.0%	17.6%	13.2%	11.5%	15.4%	16.5%	16.2%	18.0%	General Electric Company. Others may receive the <i>Investor</i> on request.
\$	272.9	\$	254.8	\$ 249.7	\$ 235.4	\$ 235.2	\$ 234.8	\$ 234.2	\$ 234.6	\$ 216.7	
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	24-17		25-20	26-18	26-17	32-24	25-20	29-21	32-21	31-23	David W. Burke; <i>Manager</i> , <i>Public Relations Programs</i> ; J. Hervie Haufler, <i>Manager</i> ,
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	334.0		314.3	273.6	334.7	351.3	300.1	\$5 280.4	233.6	188.4	Company. and indicate registered and unregistered trade and service marks of
	388,000		369,000	363,000	397,000	410,000	396,000	385,000	376,000	333,000	General Electric Company. © 1975 General Electric Company.
	304,000		292,000	291,000	310,000	318,000	305,000	296,000	291,000	258,000	Printed in U.S.A.



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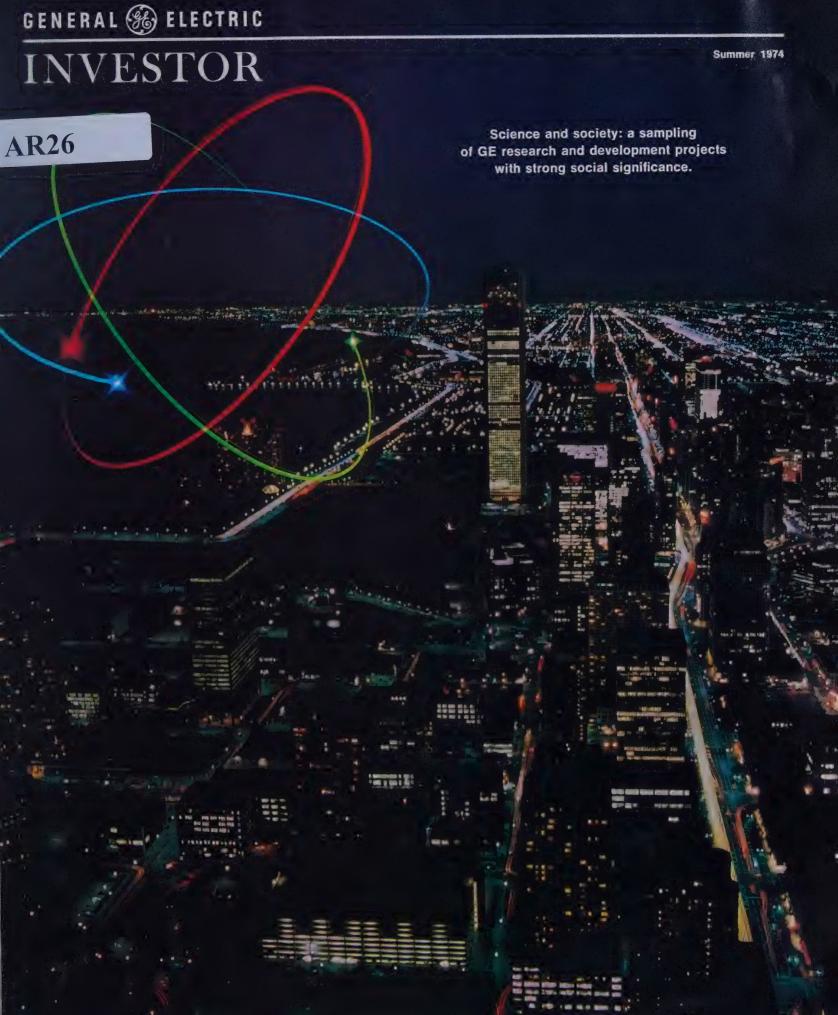




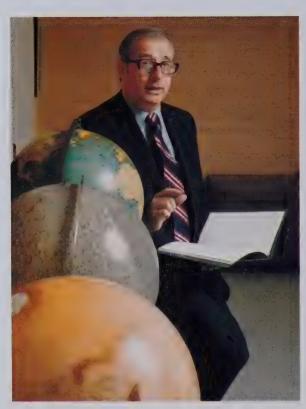




75 years of GE research: General Electric's Research and Development Center, source of many of the technological advances reviewed in this Annual Report, pioneered industrial research in 1900 when it was housed in a barn behind the home of Charles P. Steinmetz. Above at right: three historic figures — Willis R. Whitney, who established the laboratory, William D. Coolidge, prolific inventor who directed the laboratory for many years, and Irving Langmuir, the laboratory's first Nobel Prize winner.



SCIENCE AND SOCIETY: 'Society's welfare requires more than restoring electricity's growth rates'



Dr. Thomas O. Paine dramatizes the role of technology by exhibiting in his GE office three globes: the earth, the moon (whose far side has been mapped by Apollo lunar missions) and Mars, as detailed by photos sent back by NASA's Mariner 9 spacecraft.

Front cover: The interaction of science and society, as illustrated by the city of Chicago's leadership in the use of nuclear energy (see page 5). Interpretation by Arthur d'Arazien and Anson Hosley.

Two of General Electric's top officers with responsibilities for science and technology are Dr. Thomas O. Paine, Senior Vice President - Technology Planning and Development, and Dr. Arthur M. Bueche, Vice President - Research and Development. They were asked by the Investor to survey the present interaction of science and society in terms of new trends and developments of special significance to General Electric share owners.

Dr. Paine: The most important new trend, it seems to me, is simply to strengthen and intensify our work in one of General Electric's root technologies. That is, to step up our efforts to assure society a plentiful supply of electricity at still higher efficiencies, the lowest possible costs and the least environmental impact.

Dr. Bueche: This, of course, has been the primary focus of our technical work from the very beginning of the General Electric Company.

Dr. Paine: Today it takes on new urgency, because of the shifts that have occurred, and are occurring, in the world's energy situation. The sharp rise in the costs of the pumpable fuels, much sharper than the overall increases in electrical rates, is a principal factor favoring growth in electrical usage. But there are also other factors that involve strong social benefits:

- Electricity can be produced from more kinds of fuel and sources in nature than any other energy form. The fact is that the two fuels in greatest supply now and for the immediate future - coal and uranium -- can best be used by being converted into electricity. But electrical generation can also be based on water power, oil and gas, solar and geothermal heat, the burning of wastes and, eventually, on those virtually inexhaustible sources - nuclear fusion or hydrogen derived from nuclear-powered water-splitting.
- Electricity can be applied to more end uses than any other energy form and can be substituted more readily. An important example is space heating. With only about 10% of our homes heated electrically, there is an enormous opportunity for electricity to take over from other fuels that are in short supply or subject to rapidly rising costs.
- Electricity offers greater potentials for improved efficiency. Developments such as regenerative-cycle gas turbines and new systems that combine both gas and steam turbines are proving to be real breakthroughs toward gaining more electricity per unit of fuel.
- And electricity is the best answer environmentally. Electrical technology accommodates effective environmental controls at the point of generation. At the point of use it is environmentally cleaner than any other energy form.

Dr. Bueche: General Electric is investing well over \$100 million of its own funds this year on research and development related

just to electrical generation and delivery. Our projects extend across a very wide spectrum. Some are focused on here-and-now problems: studies to improve the combustion of fuels, for example. and to develop better materials that can stand up to higher temperatures and thus boost the efficiencies of generating equipment another notch. Other projects, such as our participation in laserinduced fusion research, and exploring for new ways of enriching uranium and producing hydrogen, look toward practical applications as far out as the twenty-first century.

This continuing emphasis on energy R&D is a sound allocation of the Company's resources because we see the new situation and fresh prospects for electricity as, simply, the greatest opportunity our technical people have ever had to show how well they can serve society when the chips are down. And by this service they can create new growth for General Electric.

Dr. Paine: Another aspect we should cover is the effect that electrical conservation efforts by the public this year have had in slowing the growth curve for electrical consumption. Historically, the increase has been 7 to 8% a year, or a doubling in electrical demand every decade. The rate is down to about 5% for 1974. We at General Electric have welcomed and encouraged efforts to reduce waste in electrical usage, and have set high goals for our own inhouse conservation efforts. But it's evident that the overall slowdown in electricity's growth rate will be temporary. We don't say this in anticipation that people will relax their efforts to conserve, but in the knowledge that population trends will inevitably lead to higher demands. Much of the near future, say to 1985, has already been determined. Even though the U.S. birth rate has levelled off, the number of children already born will dictate, between now and 1985, a 34% increase in the number of households, a 25% rise in the labor force and a 61% climb in the number of consumers in the 25-34 age bracket. Unless we legislate that our children may not live as well as we, there is already in existence a wave of demand for more electricity.

Dr. Bueche: There's another element. We will most certainly have a "quantum jump" forward in electrical use because electricity will be called upon to do things it isn't now doing. You've mentioned space heating. Another sector is electricity for transportation — we see rich prospects for penetrating the 98% of all transportation that is not now electric. There has been, for instance, a sharp pickup of interest in electrified railroading and mass transit. Also, in cooperation with the Electric Power Research Institute and the Edison Electric Institute, we have been making very encouraging progress in developing the sodium sulphur battery for powering electric vehicles such as buses and



Dr. Arthur M. Bueche, invited to speak recently in the famed Faraday lecture theater of the Royal Institution in London, demonstrated the GE process for producing Man-Made® diamonds.

"The 1975 outlook is for a slow first half, but our economists are forecasting improvements in the economy during the second half."



The Chairman comments:

On the strength of good business momentum in the first half of the year, General Electric's earnings showed a modest increase for the whole of 1974. Earnings of \$608 million, or \$3.34 per share, amounted to a 4% gain. This was our fifth consecutive year of increased earnings. A deteriorating economy and the continued inflationary spiral made it increasingly difficult to offset rapid cost increases as the year progressed.

Sales were \$13.4 billion — up 16% for the year.

New orders came in at record-breaking levels, raising the yearend backlog of unfilled orders to a new high of \$19.1 billion.

The orders backlog for industrial power equipment alone is \$13.7 billion, \$3.5 billion higher than at the end of 1973. Deferral of the construction of new power plants by electric utilities will reduce our shipments of power generation equipment in 1975 and subsequent years, but General Electric has experienced relatively few cancellations.

Plant and equipment expenditures to modernize and expand our productive capacity were \$672 million in 1974, up 12% from 1973, but will probably be 10% to 15% less in 1975, reflecting the slow-down of the economy.

General Electric's performance in 1974 was greatly influenced by the problems that faced all business — inflation, recession and energy economics. This will also be true in 1975, when the Company expects a slow first half, but our economists are forecasting improvements in the economy during the second half.

The problems of the electric utilities and the home-building industry in the United States have depressed earnings in industrial power equipment and home appliances. But these soft spots in 1974 were offset by strong sales and earnings in the industrial components and systems, aerospace, and international categories.

Looking to the longer term, no thoughtful person can deny a sense of disquiet about the deep changes that are taking place in the world economy. Persistent inflation and the swift transfer of wealth from the industrialized nations to the oil-producing nations are causing great political and economic instability.

Governments have promised more than their economic systems can produce. While demands have increased, the needs of producers have been ignored. Meanwhile, the world's growing population presses hard against its available resources of energy, food and materials.

Thus today there is an urgent need for problem-solving technology, fresh capital, organizational know-how and entrepreneurial commitment on a global scale. In this context, we see General Electric uniquely positioned both in terms of its long-range business prospects and as a force for human progress.

Consider first our central position in the solution of worldwide energy problems.

Conservation and higher efficiency are certainly part of the solution, and here General Electric equipment can make a major contribution.

But in order to sustain healthy, high-employment economies here and abroad, increased energy usage is inevitable. And this increased energy will be produced by converting abundant reserves of coal and uranium into electricity - General Electric's basic business — as the world reduces its dependence on oil and gas.

President Ford's call for an increased commitment to nuclear power between now and 1985 is just one powerful evidence that the United States is moving toward an electric economy. Many other nations, including Japan and industrialized Europe, have firmly committed their energy future to nuclear power. Thus, looking beyond the current difficulties of the electric utilities, we see an expanding worldwide opportunity for our power generation equipment, as well as appliances and industrial equipment to utilize electricity.

One of the major targets for conversion to electricity is home heating. More than half the homes built in the United States in 1974 had electric heating systems installed — up from only 14% in 1968.

Other major conversion opportunities include railway electrification and electricity for industrial uses, to supplant direct burning of gas and oil.

But these energy-oriented opportunities are only part of the picture.

Many of General Electric's products and services — as described in this Annual Report — are in industries and markets that have exceptional worldwide potential: not only in electric power, but also such fields as health care; land, sea, and air transportation; manmade materials; computer information services; financial services and many others.

We have a strategic planning system that allocates resources on a basis that favors businesses with high potential for earnings growth as well as the fulfillment of social needs, and leads to the divestment of less promising operations.

We have selected for special support a number of internally developed business ventures that have unusual long-term potential, and our established businesses keep coming up with more. At the same time, our new strategic review system enables us to keep the risks manageable.

And share owners are aware of the traditional strengths of the General Electric Company: sound accounting practices; a solid financial structure; a reputation for quality and service; a tradition of technological leadership; a worldwide range of operations; a strong outside Board; and a cadre of sophisticated managers at all levels of the organization.

These are the factors that should, we believe, give share owners confidence in the future of their Company.

The year 1975 will be a challenging one for all companies. But General Electric is prepared to manage itself through good times and bad, for sustained economic and social performance through the cycles.

Seguill & Jones

Chairman of the Board and Chief Executive Officer February 14, 1975

"Conversion to electricity generated from coal and uranium is needed to sustain healthy world economies."

TURBINE-GENERATORS:

More power from less fuel

"Boost the efficiency of a million-kilowatt steam turbine-generator one percent and you'll save a million dollars in fuel a year," explains a veteran GE engineer, "and produce 10,000 kilowatts of additional electricity."

More power from less fuel: the goal of General Electric's R&D efforts to produce the most efficient, reliable and economical turbine-generators; an increasingly challenging task as the size of units steadily grows — from an average of 530 megawatts in 1962 to a top rating of 1,325 megawatts today.

Continuing investments in turbine-generator research and development programs and facilities such as the \$35 million Test and Balance Facility, shown below, have produced the knowledge, technology and capabilities to enable General Electric to gain world leadership in greater efficiency (more electricity from less fuel) and higher reliability (lower "forced outage" rate). General Electric's in-service efficiency record averages 1.5% better than others. And Company records of 790 General Electric turbine-generators in service 1963-1973 show an average forced outage rate of under 1%, the lowest in the industry.

A typical General Electric technological advance in power generation equipment is the liquid-cooled generator with superior heat removal capacity, permitting larger ratings without proportional increase in physical size.



SOLAR:

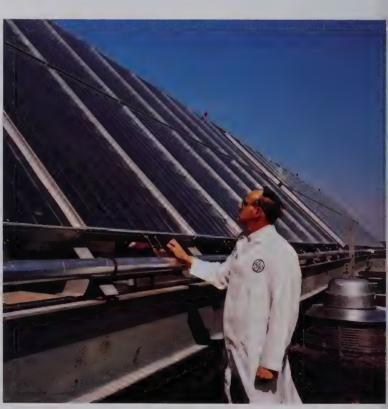
Tapping sunlight's energy

In the modest South Boston working community of Dorchester, across town from the heady atmosphere of learning and research at Harvard and M.I.T., some 1,400 junior high school children are involved in an experiment which may, in its own right, prove to be historic.

They're part of a project funded by the National Science Foundation and implemented by GE's Space Division, aimed at tapping the inexhaustible, free and pollution-pure energy from the power plant of our planetary system, the sun itself.

Heart of this GE-devised solar heating system is an array of 144 panels, each four-by-eight feet, erected on the roof of Grover Cleveland Junior High School. Each panel acts, in effect, as a miniature greenhouse: energy from the sun streams through a window made from Lexan® polycarbonate sheet, hits a heat-absorbing surface and is converted into heat. The heat is transferred to water inside a network of tubing and this water flows into solar heat exchangers linked to the school's conventional heating units.

Can solar power be competitive with other energy sources? The question is still open. While sunlight is free, there are "barrier" problems — economic, legal and architectural — that remain to be resolved. The best prospects are in applications to the heating and cooling of buildings — an important potential, NSF estimates, since a quarter of the energy consumed today goes into heating and cooling.



GEOTHERMAL POWER:

GE helps harness geysers

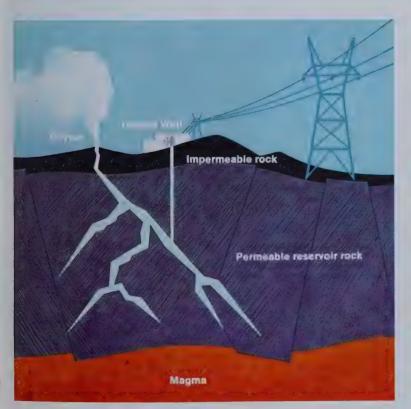
The notion of tapping the heat resources of the earth sounds Jules Vernish; actually it's been done for 70 years through the use of electric power stations that run on geothermal heat.

Now, General Electric is building two specially designed steam turbine-generators to convert heat from geothermal wells, about 90 highway miles north of San Francisco, into electric power. One, a 135,000-kilowatt unit, will be the largest geothermal power producer yet installed. Huge GE vertical motors will drive condensate pumps at the station. Eventually, Pacific Gas and Electric expects to generate enough geothermal power to serve a city the size of San Francisco.

General Electric's geothermal turbines are being designed to operate under hostile and variable conditions. Corrosion is a potential problem. Northern California steam is clean by ordinary geothermal standards, but dirty by normal turbine standards.

The majority of today's geothermal plants are in areas in which natural ground water leaks down into hot lava and then steams back to the surface. Geologists can tick off these areas on their fingers - Southern Italy, Southern Iceland, the Western U.S., New Zealand, to name a few.

GE experts believe that more widespread use of the earth's inner heat will require further demonstration to prove the economics of available technology, and in some cases may require the development of new technology.



FUSION:

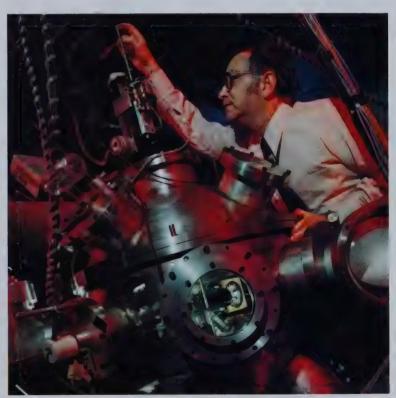
Research for the 21st Century

On a Tuesday morning this spring in Garching, West Germany, Dr. Leonard Goldman, GE senior research scientist, reported on progress made in the use of lasers to produce controlled thermonuclear fusion. On the program were other scientists from Poland, Japan, Switzerland, the Soviet Union, France, Canada, Czechoslovakia, Germany, England and the U.S.

Nuclear fusion is the basic reaction by which the sun converts matter into energy. World interest in fusion is intense. It has been called the "ultimate energy source." The raw material for the fusion process (hydrogen isotopes derived from seawater) is virtually infinite.

GE has been at work on fusion since the mid-1950's. Its major effort now is concentrated at the University of Rochester, where it is a joint participant with the University and others on a project to use superamplified beams of light to heat a speck of deuterium (a hydrogen isotope) to 100 million degrees in a tenth of a billionth of a second so that the atoms fuse before the heat blows the deuterium apart.

Controlled thermonuclear fusion is still in what Dr. Goldman calls a "self-educational" stage. Would an intensive, massive "moon-shot" concentration of funds and people help? "Not now," says Goldman, "we don't know enough." An optimist who's worked in the field for nearly 20 years, he sees a workable fusion system as a 21st Century probability.



COAL:

It can produce the cleanest gas

America is putting its coal back to work. We have plenty. Nearly half the world's known reserves (about 6½ trillion tons) are under American earth, enough for another 500 years. The challenge: winning it from the earth efficiently, hauling it efficiently, and using it efficiently so as to minimize environmental impacts.

The mining industry is extracting coal more efficiently by expanding its use of electrical systems. GE sales to the coal mining industry have doubled in the past five years. In transportation, GE all-electric locomotives now haul 25,000 tons of coal a day from mine to electric power plant on a pioneering fully automated railroad in the Southwest. In consumption, GE steam turbine development is stretching each pound of coal: 70 years ago a utility used 3½ pounds of coal to make a kilowatt-hour; now the best GE steam turbine-generators cut the figure to less than 11 ounces.

GE's R & D Center is at work on a unique system to convert coal into gas. Applying technology developed by General Electric, the pilot plant (shown right) has proved its ability to gasify all major types of U.S. coal and to deliver gas that is, according to Paul H. Kydd, the project's manager, "the cleanest fossil fuel power source — even cleaner than natural gas."



HVDC:

A new electric pipeline

On the outskirts of the small prairie town of Center, N.D., the Square Butte Electric Cooperative has started construction of the nation's first high-voltage direct-current (HVDC) solid-state transmission system, a project that could change the pattern of long-distance delivery of bulk power and make a nationwide d-c network feasible.

This pioneer line, which will carry 500,000 kilowatts from North Dakota's vast lignite fields to the Minnesota Power and Light Company at Duluth 456 miles away, is expected to prove the economic and environmental benefits of mine-mouth generating plants — a d-c line can transmit up to three times as much power as a-c on the same line, while reducing by half the right-of-way needed and requiring fewer and smaller transmission towers (see diagram.)

Integral to the system are the GE "thyristor" semiconductor cells that have helped the Eel River Converter Station in Canada (see Fall 1972 *Investor*) achieve 99% reliability during its first year of operation.

The Square Butte Electric project is scheduled to go into operation in 1977.



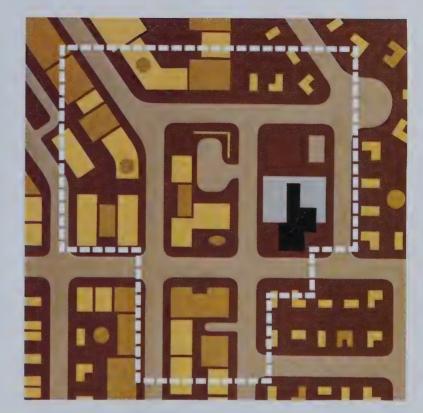
POWER DELIVERY:

New compact substation requires less than 4% of land area

You're a power systems planner and you want to bring a large block of power into the heart of one of America's great cities. Highvoltage direct current (HVDC) may be the only way to do it - but then you look at the area of the station needed for the converter and inverter equipment. You learn that using current technology the station may take up to 10 acres — several square blocks. Midcity land costs are prohibitive. Back to the drawing board.

Inverter station size appeared to be a big stumbling block in the way of urban use of HVDC. Now, GE power delivery engineers have under development a miniaturized station (gray and black area, right) that can be sited on a single square city block, making it feasible for central city use. It requires only an acre of land, less than four percent of the land (dotted area, right) required by the unit at the pioneering HVDC West Coast Intertie, completed just four years ago.

GE is achieving this startling reduction in size and cost by turning to a radically different design, using compressed gas insulation and high-voltage solid-state-rectifier technology. A bonus: the ministation has what industry phrasemakers call "beautility" - it's kinder to the urban environment than its bulky predecessor.



HEAT PUMP:

Electricity's answer to home heating and cooling

General Electric research and development have produced a reliable and efficient heat pump. GE's Weathertron® units are ready for what is believed to be the greatest single opportunity for electricity to take over more of the energy load in the U.S.: space heating and cooling for the home.

The heat pump delivers all-electric heating and cooling. Used for heating, it requires only the same fuel energy at the power plant as would be required if that fuel were burned in the home. Used for cooling, the heat pump performs at efficiency levels above the industry average for central air conditioning systems of similar capacity.

In cold weather the heat pump extracts heat from the outdoor air, adds it to the electric heat energy developed within the system itself and delivers both inside the home. In hot weather the cycle is reversed with heat from inside the home being discharged outdoors. Used on a seasonal basis, the heat pump supplies about twice the heat equivalent of its kilowatt-hours.

Highly reliable and environmentally desirable, GE's Weathertron is already an important factor in the new residential heating/cooling market.



CRYOGENICS:

Supercold moves ships, power

The science of cryogenics (very low temperatures) is being applied by GE scientists to develop a promising new ship propulsion system of unusual compactness and efficiency, as well as supercold underground electrical cables to carry electricity from exurban generating stations to metropolitan centers.

"General Electric scientists have performed pioneering work on low-temperature phenomena for over two decades," points out Dr. Arthur M. Bueche, Vice President — Research and Development. "At temperatures near absolute zero (minus 459°F), certain metals and alloys offer no electrical resistance and demonstrate unique properties. One benefit of such 'superconductivity' might be the development of a superconducting a-c generator for central power stations that could offer a potential reduction in size and weight of two-to-three times, plus increased efficiency."

A miniature turbine-alternator built last year by General Electric was cooled to minus 442°F while spinning at 100,000 rpm and producing 13.2 watts of electricity. It set a new low-temperature record for devices of its type. The unit is a critical component in a supercold refrigerator that could be used for chilling superconducting motors and generators for magnetically-levitated train propulsion or a-c power generators. Other cryogenic research:

- Superconducting ship propulsion: An electrical ship-propulsion system powered by superconducting generators and motors is being developed at GE's R&D Center under contract from the U.S. Naval Ship Systems Command. The unique direct-current drive system will be capable of producing 6,000 horsepower to propel a 65-foot test craft. For shipboard applications, the use of superconducting machinery promises improved fuel efficiency, reduced size and weight of propulsion systems and greater flexibility in locating prime-movers within a ship.
- Cryogenic electrical cable: As the electrical demand of our nation's cities increases, and the amount of land available for high-voltage overhead transmission lines diminishes, supercold underground cables offer a promising alternative for the transmission of huge blocks of power through restricted space to congested urban areas. Cryogenic cable systems take advantage of the lowered resistivity of metal conductors at low temperatures. Tests at the General Electric R&D Center, sponsored by Electric Power Research Institute and the U.S. Department of Interior, have indicated the potential of such "cryocable" systems as exceeding by seven times the rating considered high for conventional transmission cables now serving metropolitan areas.

Additional research is needed before cryogenic cable systems are commercially viable, but they could be developed in time to provide vitally needed load-handling capacity by the 1980's, when our nation's transmission networks will be carrying twice as much electricity.



SATELLITES:

Down-to-earth benefits from space technology

It wasn't long ago that one began to hear some grumbling about the world's space programs. Lots of excitement for space scientists, went the criticism, but when are we going to get some downto-earth benefits?

The benefits are beginning to flow. Satellites are being used to analyze crop resources, to seek out mineral deposits, to study weather. They're transmitting thousands of international business messages daily.

Here are two new highly promising applications of space technology in which General Electric is playing a key role:

An experimental broadcast satellite (illustrated at right) being built by the GE Space Division for the Japanese government will be placed in geostationary orbit over Japan in late 1976 or early 1977. It is part of the first step toward a broadcast system which will enable Japan to provide television communications to millions of its citizens without using microwave transmission or undersea cable. The Japanese population is spread out along an archipelago more than 2000 miles long and containing over 3000 islands.

The contract for the experimental broadcast satellite system was awarded this year to a team made up of GE and Tokyo Shibaura Electric Company.

The three-axis stabilized spacecraft will provide two high-power television transmission channels. During its operating life — at least three years — it will be used to conduct video and audio transmission tests, evaluate transmission and reception systems and establish mission and satellite controls.

As he guides the Exxon tanker ESSO Bahamas from Venezuela to Florida, the captain is able to be in daily, instantaneous, real-time communication with Exxon Corporation headquarters in New York. He is using a satellite communication system that General Electric sees as the forerunner of a Satellite-Aided Ship System that will gain wide use by the 1980s.

GE is providing voice, teletype, facsimile and television communication for the 35,000-ton tanker via two satellites which the National Aeronautics & Space Administration has made available for an hour every working day. By early 1975, two COMSAT satellites will be orbiting over the Atlantic and Pacific for fulltime commercial maritime use.

What makes instantaneous satellite communication with merchant ships so desirable? Consider the modern merchant ship not as a larger version of the rowboat, but as a huge, mobile warehouse, bearing millions of dollars of inventory - oil, grain, ore, manufactured goods. The ship alone may represent a \$50-million investment. Yet, unlike a land-based warehouse, a merchant ship may be out of touch with its owners for hours or even days. The Satellite-Aided Ship System advanced by GE would make possible precise logistical maneuvering which now is often impossible.



MEDICAL TECHNOLOGY:

For GE, a leading role in health care

Of all the challenges facing the nation today, the equitable distribution of health care throughout all strata of society ranks high on any list of priorities. Government, medical organizations and the private sector alike are working on a variety of fronts to upgrade the quality of medical care.

Investments in the technology of health care have made General Electric the leading U.S. producer of professional medical equipment — a market that will exceed a billion dollars this year. The Company has also invested in a major new facility, as shown at right, to provide growing room for its Medical Systems Division.

Some examples of the Company's ability to meld technologies from diverse General Electric components into trend-setting medical products:

PDS - GE's computer-assisted Patient Data System - is an entirely new concept in electronic patient monitoring. PDS can detect and display minor complications in critically ill patients and thus signal impending crises. This early warning alerts physicians and nurses to begin life-saving treatment much earlier than ever before. Most data processing required to monitor various physiological parameters is performed by the bedside unit. Central computer capacity is reserved for more sophisticated analyses, including trend data, patient history, cardiac output and other factors.

Instant readings on blood gases, and hence on a patient's respiration during surgery, are made possible by GE's blood gas monitor. A tiny wire electrode inserted in an artery now does, continuously, what formerly required the drawing of blood samples for analysis in a hospital lab. Developed at GE's R&D Center, the monitor incorporates a super-sensitive copolymer membrane to measure carbon dioxide in the blood.

A seven-minute physical examination for insurance policy applicants is supplied by GE's medical data acquisition unit. A tabletop electro-mechanical device, it can be operated by a secretary in a local insurance office, acquiring and recording information that includes blood pressure and electrocardiograms. The GE unit was developed by the Re-entry and Environmental Systems Division, drawing on its NASA space programs experience. The Metropolitan Life Insurance Company has been field testing the device for two years and has 200 units on order; RESD will make it available to other insurance companies later this year.

These and developments yet to come are the result of Company support for basic research aimed at developing new technologies to improve health care. Diagnostic systems that yield more information with reduced radiation exposure, patient monitoring systems that sense and report subtle changes in the critically ill, new techniques for detecting breast cancer, and such emerging technologies as ultrasound and phonocardiology - all are being explored within General Electric.





Developments such as the blood gas monitor (left), which gives immediate reading of carbon dioxide in patient's bloodstream, are the direct result of continuing basic research.



Medical Systems Division's new Milwaukee area facility (top) increases x-ray production capacity by 50%. A space research "spinoff," GE-designed machine (lower left) collects physiological data during insurance examinations. PDS (lower right) is the first of the "third generation" monitoring systems to be introduced. It can detect subtle changes in a critically ill $patient's\ condition\ to\ facilitate\ and\ speed$ life-saving treatment.

Corporate Briefs Chairman discusses political contributions, equal opportunity programs

CHICAGO, ILL. - In opening the Company's 82nd Statutory Meeting here on April 24, Chairman of the Board Reginald H. Jones expressed his appreciation to the thousands of share owners who sent in their proxies: over 82% of the outstanding shares were represented by proxy and in person.

During the meeting, the 19 Directors named in the 1974 Proxy Statement were elected, and management's proposal for the appointment of Peat, Marwick, Mitchell & Co. as independent public accountants was approved. The five share owner proposals listed in the Proxy Statement were all rejected by at least 97.1% of the shares voted on them.

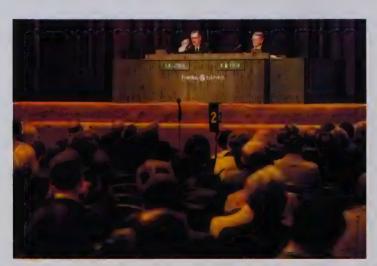
The proposal requiring publication of a detailed statement of expenditures for political purposes received a favorable vote of 2.9% of the votes cast.

The proposal requesting the publication of employment data and other information concerning equal employment opportunity received a favorable vote of 2.3% of the votes cast, and the proposal requesting the establishment of a South African Review Committee received the support of 2.4%.

The proposal to amend the Certificate of Incorporation so as to provide for an evaluation of new Company products in terms of environmental and energy impact, and the proposal requesting the submission of an Energy Impact Statement, received favorable votes of 1.8% and 1.7%, respectively.

Much of the discussion at the meeting centered on aspects of corporate social responsibility:

Absence of women and minorities on the Board was discussed by Chairman Jones. "An intensive search and evaluation process has been under way to find such persons who have the necessary experience and who do not have dis-



qualifying conflicts of interest in relation to this highly diversified Company." Jones also explained that to expedite the examination of this issue, the Board has set up a special committee of GE's outside Directors who sit on boards which have minority and female representation. He invited share owners who would like to suggest names for consideration by this special committee to send names and relevant background data to Mr. R. M. Estes, Secretary, General Electric Company, 570 Lexington Avenue, New York, N.Y. 10022.

Discussing political contributions, Chairman Jones emphasized that, "As a matter of policy, General Electric does not make financial contributions to political parties or political candidates. Such contributions are forbidden by the Federal law and the laws of most states."

Jones stated there has been so much publicity about campaign contributions that, as an extra precaution, GE conducted an intensive internal audit, and then took the unusual procedure of having the Corporate Policy Committee (the top ten officers of the Company) sign an affidavit to the Board of Directors affirming in fact that no corporate money was used directly or indirectly to make contributions.

Equal employment opportunity was another social issue discussed at length at the meeting.

In response to a series of questions and comments concerning GE employment practices, Chairman Jones said, "We must work together in order to solve this problem of the integration of minorities and women into our society and into our business and industrial world."

Jones indicated that while management does not feel it is



desirable to issue detailed employment statistics on a plantby-plant basis, the data for the Company as a whole show that General Electric is truly moving on this front.

He went on to explain that "over a five-year period, from 1968 to 1973, the total U.S. employment of the Company is down 0.3% but minority employment in General Electric over that same period is up 57%, an increase from 21,583 employees to 33,915 as of December 31, 1973.

"Now, when you get that kind of a change in your work force, you obviously must sense your stewardship. During that same five-year period, the number of women in our employment increased from 84,141 to 89,378, or 6.2%.

"Our major challenge is not the one of bringing women and minorities into our work force, but rather the upward mobility of these employees, their integration into management, and here is where we have a real problem.

"Some 60% of the higher level managerial jobs in General Electric are held by people with technical degrees. This is a highly technical Company in terms of its products and its research activities, its development activities, its manufacturing activities. Yet, of the 43,429 graduates of engineering schools in this nation last year, less than three percent were women and minorities.

"Now, if you have that few from which to choose, and 60% of your management jobs are held by those with technical degrees, how do we achieve this upward mobility? How do we find the people capable of doing the job that you, as share owners, expect of us when you make an investment in this Company? This is a momentous task that no single organization can achieve alone. That is why I have accepted the assignment of Chairman of the National Advisory Council on Minorities in Engineering. The Council, including leading businessmen, top educators and the leaders of minority organizations, as well as government, was formed in 1974 by the National Academy of Engineering to give it counsel in leading the national drive to achieve a sharp increase in the number of minorities who enter the engineering profession. We are mounting an activity that hopefully over the next decade will take last year's number of 657 up to some 4,000 to 6,000 minorities graduating in engineering per year.

"Just through the efforts that we have carried on in the last 18 months, I am happy to say that the number of minority freshmen enrolled in technical degree programs has increased something like 30 percent.

"We have to start all the way back in the secondary schools and do a job of motivation and guidance. We are conducting this effort, I might say, with all of the dispatch and the efficiency we can muster.

"Right now as we sit here today, for example, we have a 40-foot expandable van called Expo-Tech (shown below) that is making the rounds of the junior high schools in Philadelphia. We have Reverend Leon Sullivan and OIC working with us. We have the Urban League working, and so on, and together we are trying to take these youngsters into these vans. give them a chance to work with hands-on exhibits and to talk with our people.

"We follow this up with opportunities and invitations for these youngsters to visit our facilities and to meet our people, talk with our management and see if we can't find some way to motivate them to move into these areas of technical education. And then we continue to work with them, try to find ways to help them finance their education through co-op programs, summer jobs and so on.

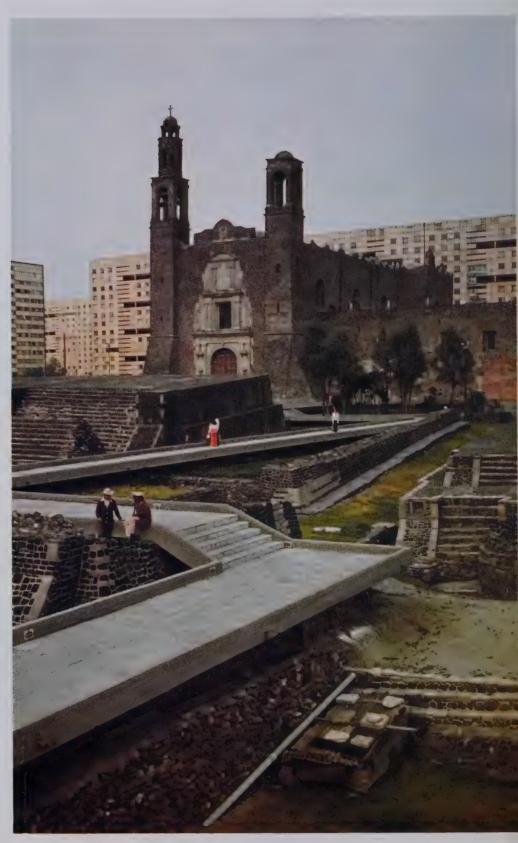
"We are also concerned with other aspects of EEO. While we had 26,486 managers in General Electric at the end of last year, only 678 were minorities and 473 were women. While there have been tremendous percentage increases, 247.7% for minority managers in five years and 297.5% for women, we are not happy that we have only something over a thousand minority and women managers out of that 26,000 total. It should be a greater number, but if we don't have qualified candidates, we can't serve you share owners by putting unqualified people in these positions.

"Let me just add one further point: with respect to highly skilled craftsmen jobs such as machinists, minorities have increased 62%, from 2340 to 3791 in five years, and women, 70.7%, from 801 to 1367."





For Mexicans a sense of the past, of roots in a rich heritage, is inescapable. Above: Stone of the Sun, frequently called the "Aztec Calendar," shines like a huge coin in Mexico City's Museum of Archaeology. Right: Plaza of Three Cultures in Mexico City recalls Indian civilizations through the terraced base of an Aztec pyramid, the Spanish heritage in the presence of the Church of Santiago, and contemporary Mexico, in the surrounding apartment buildings.



THE INVESTOR'S VIEW OF MEXICO

A vital people, with a strong sense of pride in the past and hope for the future, make for a favorable investment climate south of the border.

To refer to Mexico as "a land of contrasts" has become commonplace. Usually the term is applied to the extremes of desert and jungle, sparkling beaches and majestic mountains. primitive rural life and dynamic cities.

The visitor who approaches Mexico from an investor's viewpoint, however, is likely to become aware of still another powerful contrast: the intensive efforts being made both to preserve the past and to accelerate progress toward an industrial future. Both have relevance in building a favorable investment climate.

The preservation of the country's heritage strengthens Mexico's appeal, of course, to the growing masses of tourists who throng its archaeological museums and relics of Indian civilizations as well as its/vacation resorts. By cannily promoting its attractions, Mexico has made tourism its largest earner of foreign currency, growing by 28.7% in 1973.

But the assiduous attention being devoted to the nation's antiquities has a meaning more basic than its contributions to tourism. These treasures of the past underlie the development of a heightened sense of national identity, pride and purpose. Professor Mario Vasquez, Subdirector of Mexico City's Museum of Archaeology, expressed it this way in an interview: "Our aim is to make the past useful to the present as a source of national vitality. We do not put our archaeological treasures in some musty safe deposit box for the historical specialist. Our museums are closely integrated with the schools, with their textbooks and homework assignments. We have as many as 4000 school children through this museum in a single day. Homework requires students to come independently with a parent or both parents. So we remind our people of their deep roots, their rich heritage, their reasons for pride and ambition."

That there is a correlation between this strengthening of national spirit and the drive to accelerate the industrial future is borne out by Rafael Coria, manager of manpower development for General Electric de Mexico, S.A. Says Coria: "We never offer a training opportunity here that isn't seized upon eagerly. Mexicans are strongly motivated toward self-improvement, In 1973, our GE work force of some 5,000 employees generated 2,129 participants in manpower development programs and over 132,000 manhours of training."

While these efforts to build national vitality and character shape a favorable backdrop for investment in Mexico, the

reliance on private enterprise and encouragement of foreign investment are seen as essentials to Mexico's continued progress.

These points were underscored in a discussion with Fausto Zapata. Undersecretary of the President: "The 7.4% growth rate of Mexico's economy in 1973 was among the world's highest. It placed us among the 15 countries with the highest gross internal product. In the Western Hemisphere, only the U.S., Canada and Brazil surpassed Mexico's GNP of over 40 billion in U.S. dollars. Mexican production of goods and services exceeded that of Sweden, Spain, Holland and Argentina."



Tourism tilts Mexico's international balance of payments to the positive. Acapulco's attractions are being reproduced, through government investments of over \$100 million, in two new resort areas at Cancún Island in the Mexican Caribbean and at Ixtapa on the West Coast.

more visible factors today stem from governmental programs to stimulate economic growth.

The administration of President Luis Echeverría Alvarez, now past the midway point in its six-year term, recognizes that acceleration of the Mexican economy is the key to solving the country's massive socio-economic problems. Echeverría himself has traveled the world in his efforts to build the country's international trade and export opportunities. Primary

How far Mexico has come in a few decades was pointed up by Zapata: "Just 35 years ago, Mexico's illiteracy rate was over 60%. There were few adequate roads in a country a fourth the size of the U.S. The country lacked means of communication and had practically no access to information or what was happening beyond its frontiers. It was barely endowed with centers of higher education. And the country was essentially devoid of a middle class."

Today, by contrast, Mexico is a nation that is going nuclear in its power generation (its first two nuclear plants will have reactor systems supplied by General Electric) and has developed an extensive computer technology. It is a country of color television, microwave communications, jet airliners and a comprehensive system of good highways. A 17% advance in real per capita income over the past five years has helped to develop a large middle class. And it is tackling its social and educational problems on such a scale that the proportion of its governmental budget going into social programs, in contrast to military, is the highest in Latin America.



Lighting of the National Cathedral in Mexico City's Zócalo is one application of General Electric technology.

Perspective on the educational program was provided by Roger Diaz de Cosio, Director of Planning in the Ministry of Education: "A quarter of our population is now in school. Primary education, compulsory between the ages of six and twelve, has been transformed through the use of free text books - five books per pupil per grade, plus teaching aids for the teachers. We've hired over 50,000 new teachers in the past four years and have been adding some 10,000 classrooms per year. At the higher levels of education, we have a system of 41 universities supplying 20,000 graduates per year." The result of these efforts is

that while Mexicans admit to not yet having achieved their quality goals in education, at least illiteracy has largely been relegated to the older segments of the population.

A similar massive effort is going into Mexico's overburdened Social Security programs. Comments Armando Herrerias, a subdirector: "Of our population of over 53 million, more than 13 million now receive Social Security services that include health care, disability benefits, maternity aid, pensions and death coverage. Participation is being extended as rapidly as our resources allow — domestic servants have recently been added, for example: Our network of hospitals and clinics is being greatly expanded, as well as nurseries in support of working mothers."

Still another high-priority program is directed toward low-cost housing. In just two years, the Institute of the National Fund for Workers' Housing has financed the construction of 79,000 dwellings throughout the country.

Mexico's ability to pay for these and other ambitious social programs is based on an economy that has been successfully oriented toward growth. Much of the economic planning is in the hands of bright young economists in the Finance Ministry and central banks, of whom Francisco Gil Diaz, advisor to the Bank of Mexico, is an example. Educated both in Mexican schools and at the University of Chicago, Gil Diaz emphasized in a review of the Mexican economy the country's success in paralleling U.S. economic trends so as to avoid imbalances that would necessitate a devaluation of the peso. "The last devaluation was in 1954. We were concerned last year because Mexico's inflationary rates rose rapidly -- the result partly of a poor crop year. The balance of payments was also affected negatively by the need for food imports. But the prospects for 1974 are very favorable. A conservative government budget and tightening of the money supply is expected to bring inflation rates back in line with those of the U.S. Agricultural prospects are better, business is having a dynamic year and exports are strong."

With all of this encouraging social and economic progress, the problems that face Mexico's leaders remain substantial. Chief among these is one of the world's highest rates of population growth — some 3.5% a year, which means a doubling of the population in just over 20 years. These population pressures cause imbalances throughout the economy. The creation of new jobs can't keep pace with the numbers entering the work force, so unemployment rates are high. Also, the priorities given to maintaining

The surge in population fuels a problem that Fausto Zapata believes to be even more critical — unequal income distribution: "In 1963, half of all Mexican families received only 16% of the national income while at the other end, one fifth of the population received nearly 63% of the income. Nothing indicates that this relation has been modified."

While he sees income disparities as a problem that is repeated in most other countries, he expressed the government's determination to find better ways to distribute Mexico's wealth and to "break out of this vicious circle."

As a consequence, Mexican leaders are keenly aware of the country's great need

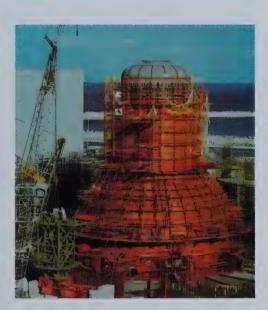


employment levels tend to work against attaining greater production efficiencies and achieving cost levels that are competitive in world markets — a limitation on Mexico's ability to build exports. And population growth holds increases in per-capita income to only half the growth of the GNP.

The government has responded with an educational program themed to "responsible parenthood." While it is non-specific in its recommendations, the program does express concern at top levels of the country and can, over time, be expected to have effect in conditioning and changing popular attitudes.

for investment of capital from abroad and for the inflow of advanced technology. At the same time, the Echeverría administration is insisting on a greater degree of partnership in business investments.

This insistence led, in May 1973, to two major new economic policies. One regulates technology transfer payments. The other is carefully titled: "Law to promote Mexican investment and to regulate foreign investment." This theme is stressed often in talks with government officials: "Our policies aren't in any way directed against foreign investment, but rather in favor of domestic capital." The

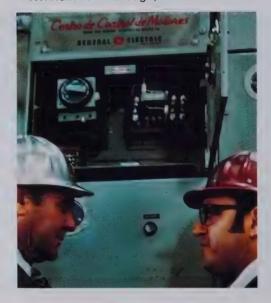


McDonnell Douglas DC-10 trijet, powered by GE engines, began commercial service for Aeromexico in May.

Above: a scene that will be unfolding at Laguna Verde in Vera Cruz — housing for GE reactor system for Mexico's first nuclear generating plant. law is not retroactive, and thus doesn't affect existing relationships. But in the case of new business ventures it specifies that foreign investment may not control more than 49% of the capital.

When these new policies were first put into effect they caused a flurry of concern among international investors. Today, however, the concern has been considerably allayed. For one thing, the government has shown a willingness to negotiate. As José Campillo Sáinz, Minister of Industry and Commerce, expresses it: "We'll be flexible when a new program offers benefits to our country."

Kenneth F. Yarbrough, President of



General Electric de Mexico, comments: "The government's pragmatism recognizes that there is no danger of foreign domination because foreign investment amounts to less than 5% of total investment. There is also recognition that this is a very vital 5% — accounting for 38% of total exports, for example, and for 50% of manufactured exports. Consequently, these new policies should pose no severe difficulties for any international company that believes in being a good corporate citizen in whatever country it is doing business."

In short, Mexico's investment climate is characterized by political stability

founded on democratic processes, by fast economic growth under strong governmental control, but based primarily on encouraging private enterprise, and on government policies that recognize the essential role of foreign investment while promoting domestic capital.

General Electric de Mexico continues to be the primary means by which the share owners of General Electric share in these growth opportunities. The affiliate is 90%-owned by GE, with 10% of its shares owned by Mexican investors since 1968.

GE's operations have been a part of Mexico since 1896. Today they form the country's leading electrical manufacturer. with 1973 sales of nearly \$80 million (U.S.) and earnings of \$6.5 million. Sales and earnings in 1973 scored 23% gains.

The affiliate is a Mexican microcosm of its parent. Its oldest manufacturing operation, in Monterrey, produces a wide variety of lamps - meeting quality standards that enable it to compete in international markets. Operations in Mexico City turn out broad lines of consumer appliances, housewares, both black-and-white and color TV, many types of electrical and electronic industrial components, electrical construction materials, and electric powerline equipment. A strong growth area is in service: GE-Mexico has in place the country's first radio-dispatched fleet for consumer product service, has opened three apparatus service shops to repair many types of industrial equipment, and handles installation and service engineering on large projects.

It is a strongly Mexicanized operation, with only some 30 U.S. employees among its 5,000 people. Of these 30, President Yarbrough notes: "They have a dual responsibility: to do their assigned jobs and to be teachers so that Mexicans can learn their particular expertise and be ready to replace them." U.S. employees are almost exclusively in management, finance and technical areas; other key positions, including management of the consumer and industrial products businesses and the services operations,



General Electric de Mexico supplies the Mexican economy with a wide range of consumer goods, including a new small-size automatic clothes-washer, and varied components and products for industrial and construction markets.

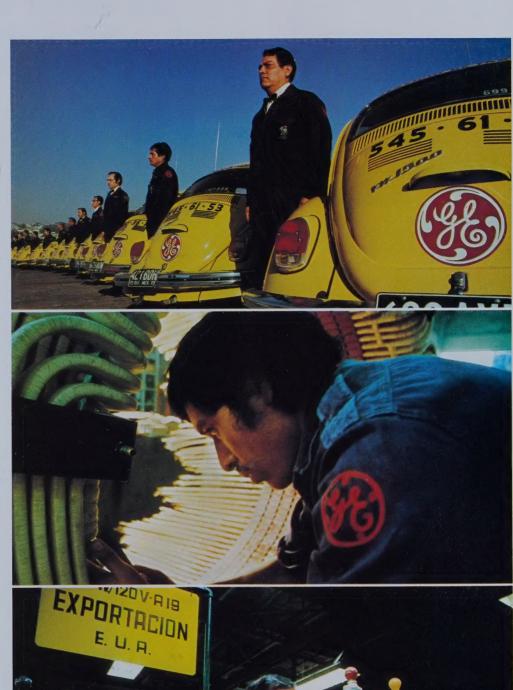
are held by Mexicans.

GE-Mexico's contributions to the country are numerous. Says Yarbrough: "Beyond the basic levels of providing superior jobs and wages that help to build the middle class, we're always aware of the fact that our company here is the means by which Mexico taps into the resources of General Electric. This inflow takes many forms. Of prime importance are the training programs we have translated into Spanish and adapted to the local situation - programs that build skills, professional competence and managerial abilities. The technological inputs are, of course, substantial but so are the managerial concepts — a number of Mexican governmental leaders, for example, have taken a strong interest in GE's strategic planning ideas."

General Electric continues to invest in its Mexican affiliate. Currently, major investments are going into numerical-control machine tools and other more advanced types of productive equipment made feasible by the growth of Mexican markets. These investments are also expected to improve GE-Mexico's ability to compete in export markets.

GE's Mexican operations support high-priority governmental programs. One is the drive to build exports. GE-Mexico exports lamps, television components, appliances and selected industrial products, and has joined Promotora Mexicana de Comercio Exterior, the foreign trade company established to promote export business. Another is the governmental program to encourage manufacturing operations in less developed areas of the country. GE's U.S.-based appliance and control operations have built component-supply plants in the border cities of Nogales and

Service operations include (top) Mexico's first radio-dispatched consumer service fleet and (middle) apparatus service shops equipped to repair industrial and utility equipment. Lamps both for Mexico's use and for export (right) are built at GE-Mexico's Monterrey plant.





Ciudad Juarez.

The presence of GE-Mexico facilitates another major contribution by General Electric: exports from the U.S. of products and equipment beyond the present scope of the Mexican economy. Orders of nearly \$120 million in 1973 included the reactor system for Mexico's second planned nuclear generating station, 132 diesel-electric locomotives, drives and controls for steel mills and a wide range of other products.

Says Ken Yarbrough in summary: "The time is past when a foreign company can go into a country and have a single objective of satisfying its economic





purposes. An affiliate such as ours must produce a sound return on the investment of share owners' money — an objective that is greatly eased by Mexico's liberal attitudes toward repatriation of earnings — but it must also make a significant contribution to its host country. And by that I mean a contribution that can't be merely a by-product but one that is instead part of its central plan."

The record of General Electric de Mexico sets an outstanding example for progress on both these fronts. — J. H. H.

Skilled people, professionals, managers are developed through GE-Mexico's educational programs.





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